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**Committee of Experts on International
Cooperation in Tax Matters
Twenty-seventh session**

New York, 19-22 March 2024

Item 3(e) of the provisional agenda

Transfer Pricing

Co-Coordinator's Report

Summary

Since its formation at the Twenty-third Session, the Subcommittee on Transfer Pricing has been working on drafting interstitial guidance in six workstreams: (a) transfer pricing during the COVID-19 economic downturn; (b) transfer pricing compliance assurance; (c) transfer pricing of carbon offsets and credits; (d) industry/sector guidance for agricultural products; (e) industry/sector guidance for the pharmaceutical industry; and (f) dispute avoidance and resolution. The work of the Subcommittee in workstreams (a), (b) and (c) was approved by the Committee at the Twenty-seventh Session.

The Subcommittee's Co-Coordinator's are hereby: providing a short progress report on the work undertaken; *presenting for approval* the papers produced in workstreams (d) and (e) (previously presented at the Twenty-seventh Session); and *presenting for first consideration* the paper produced in workstream (f).

Background information

1. At its Twenty-third Session, the Committee of Experts on International Cooperation in Tax Matters (the Committee) established the [Subcommittee on Transfer Pricing](#) as a multi-stakeholder body. The Subcommittee's work program consists of six workstreams as approved at the Twenty-fourth Session: (a) transfer pricing during the COVID-19 economic downturn; (b) transfer pricing compliance assurance; (c) transfer pricing of carbon offsets and credits; (d) industry/sector guidance for primary products; (e) industry/sector guidance for the pharmaceutical industry; and (f) dispute avoidance and resolution. The work of the Subcommittee in workstreams (a), (b) and (c) was approved by the Committee at the Twenty-seventh Session.
2. Since the Twenty-seventh Session, the Subcommittee on Transfer Pricing has held several meetings to advance its work. The Subcommittee met virtually on 14 December 2023 as well as on 10 and 15 January 2024 to discuss the work undertaken by smaller drafting group. From 19 to 20 February 2024, the Subcommittee met in person on the campus of Vienna University of Economics and Business.
3. The drafting is performed by smaller groups that benefit immensely from the generous input of expertise and time of representatives from international organizations, the business community, governmental representatives, and academics. The Subcommittee was also supported by the Transfer Pricing Center at Vienna University of Economics and Business in very effectively hosting the Subcommittee meeting.
4. In advancing their work, the Subcommittee also coordinated with other Subcommittees, most notably the Working Group on Dispute Resolution and Avoidance on the topics where the issues dealt with by the Subcommittees overlap.

Progress report

5. The Subcommittee's Co-Coordinator are hereby providing a progress report on the work undertaken; presenting for approval the papers produced in workstreams (d) industry/sector guidance for agricultural products; and (e) industry/sector guidance for the pharmaceutical industry; and presenting for first consideration the paper produced in workstreams (f) dispute avoidance and resolution.

Industry / sector guidance for agricultural products

6. Progress has been made by the Subcommittee to further advance the work in this workstream, taking into account the comments and feedback received at the Twenty-seventh Session. Further detail has been added on centralized activities including hub structures, the influence of contract dates on pricing, environmental factors and abusive transfer pricing practices.
7. The paper on industry / sector guidance for agricultural products, which is attached to this note as *Annex A, is presented for approval by the Committee.*

Industry / sector guidance for the pharmaceutical industry

8. Progress has been made by the Subcommittee to further advance the work in this workstream, taking into account the comments and feedback received at the Twenty-seventh Session. The scope of the paper has been clarified and further detail has been added on marketing, strategic alliances and location decisions. The section on marketing intangibles has been extended and the potential value drivers were divided into smaller categories. The section on business models was modeled to follow the analysis as contained in the UN Practical Manual on Transfer Pricing. Case examples have been added.

9. The paper on industry / sector guidance for the pharmaceutical industry, which is attached to this note as *Annex B, is presented for approval by the Committee*. The Subcommittee intends to submit an additional Appendix (an updated Appendix 4 as contained in the paper presented at the Twenty-seventh Session) for approval to the Committee at the Twenty-ninth Session.

Dispute avoidance and resolution in transfer pricing

10. Progress has been made by the Subcommittee to further advance the work in this workstream, taking into account the comments and feedback received at the Twenty-seventh Session. The paper focuses on implementing and administering Advance Pricing Arrangements (APA) programs, with a particular focus on developing countries and their concerns. The paper is structured in the form of frequently asked questions and covers (1) why and when APA program should be implemented; (2) what the legal framework is; (3) how the program should be integrate into a countries' tax administration and (4) procedural issues.

11. The paper on dispute avoidance and resolution in transfer pricing, which is attached to this note as *Annex C, is presented for first consideration by the Committee*.

Next steps

12. The Subcommittee plans to submit the paper in workstream (f) on dispute avoidance and resolution for final approval at the Twenty-ninth Session, after considering comments made and guidance provided at this Session. As noted, for workstream (e) on industry/sector guidance for the pharmaceutical industry, a further Appendix (previously presented at the Twenty-seventh Session) will be presented for approval at the Twenty-ninth Session.