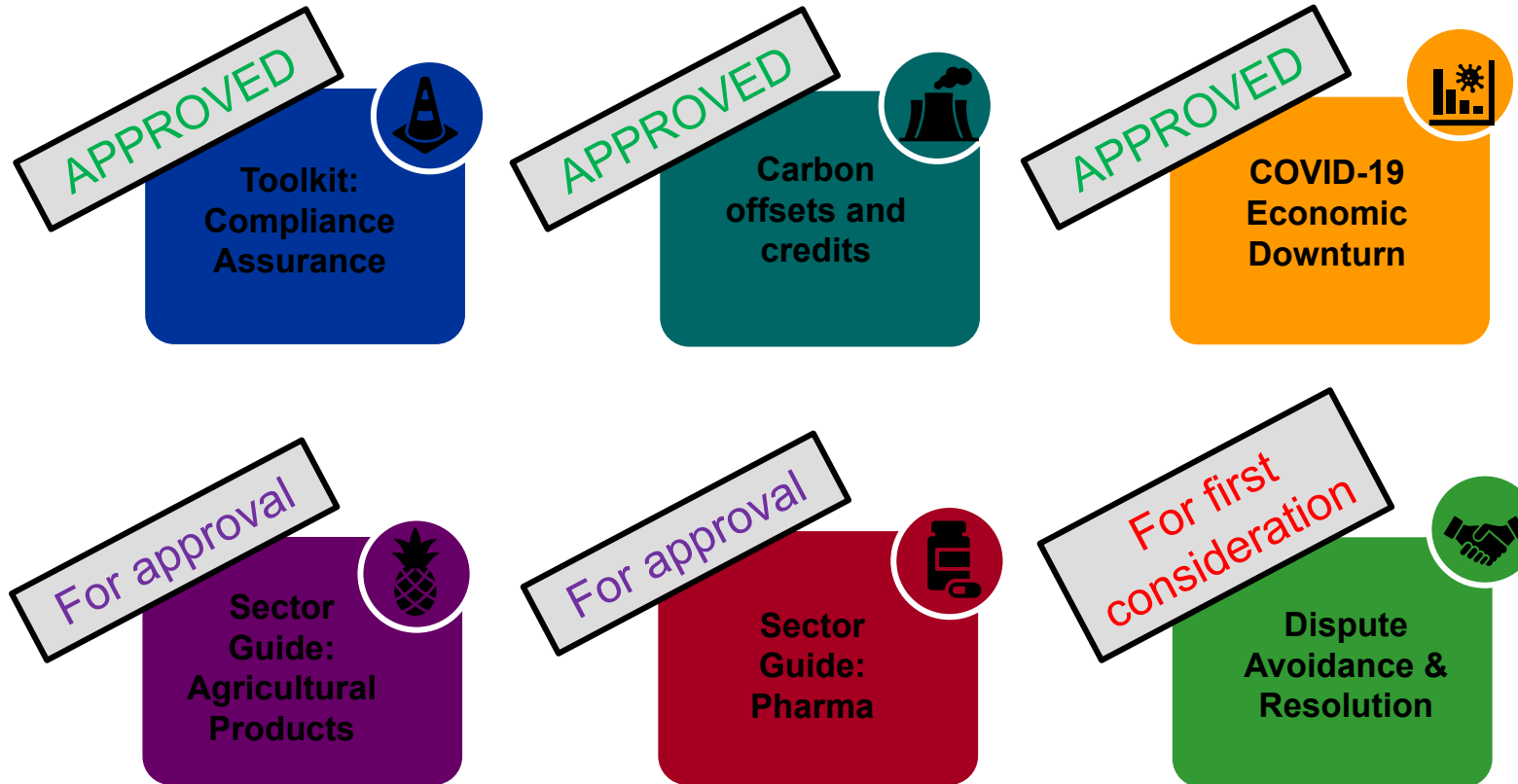




United Nations Committee of Experts on International Cooperation in Tax Matters

Transfer Pricing Subcommittee *Progress Report*

TP Subcommittee: Work Streams



For approval

Sector / Industry Guidance: Agricultural products (1/2)

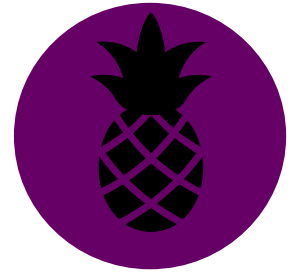


- Objective
 - Give practical guidance on how to apply the arm's length principle to cross-border transactions involving agricultural products
 - The global value chain of the coffee and the soybean industry are discussed with a focus on relevant transfer pricing issues and practical cases

“This paper was prepared in response to the need for practical guidance in applying the arm's length principle to agricultural products. Agriculture is of great importance to all countries, both developed and developing, and has a huge impact on the global economy, with multinational enterprises (MNEs) active in agricultural production and along agricultural global value chains.”

For approval

Sector / Industry Guidance: Agricultural products (2/2)



- Changes vis-à-vis 27th Session:
 - Taken into account helpful comments and feedback from Committee members and observers
 - Further detail has been added on
 - the use of hub structures for centralized activities
 - environmental regulation
 - abusive transfer pricing practice
 - the influence of contract dates on pricing

For approval

Sector / Industry Guidance: Pharmaceutical Industry (1/2)



- Objective
 - Give practical guidance on how to apply the arm's length principle to cross-border transactions in the pharmaceutical industry.
 - Description of the global value chain of the industry is followed by a discussion of transfer pricing issues particular to the industry

“This paper was prepared in response to the need, often expressed by developing countries, for practical guidance in applying the arm's length principle to the pharmaceutical industry. [...] Given the importance of the pharmaceutical industry to all countries, both developed and developing, this paper intends to provide practical guidance for this industry.”

For approval

Sector / Industry Guidance: Pharmaceutical Industry (2/2)



- Changes vis-à-vis 27th Session:
 - Taken into account helpful comments and feedback from Committee members and observers
 - Further detail has been added on strategic alliances and location decisions
 - Section on marketing intangibles has been extended and the potential value drivers were divided into smaller categories
 - Section on business models was modeled to more closely follow the analysis as contained in the UN Practical Manual on Transfer Pricing
 - Case examples have been added
- An updated Appendix containing questions that a transfer pricing professional could ask in a functions, assets and risks analysis will be presented for approval at the 29th Session

Dispute Avoidance & Resolution (1/2)



For first
consideration

- Objective
 - Give practical guidance on deciding whether to establish a Bilateral Advance Pricing Agreement / Arrangement (APA) Program and how to go about it
 - Guidance focuses on bilateral APA programs. Though some sections may also be considered valuable for the implementation of unilateral APA programs

“This guidance was prepared in response to the need, often expressed by developing countries, for practical advice in relation to Advance Pricing Agreement / Arrangement (APA) Programs.[...] It should also be noted that this guidance strives to give balanced answers to difficult questions.”

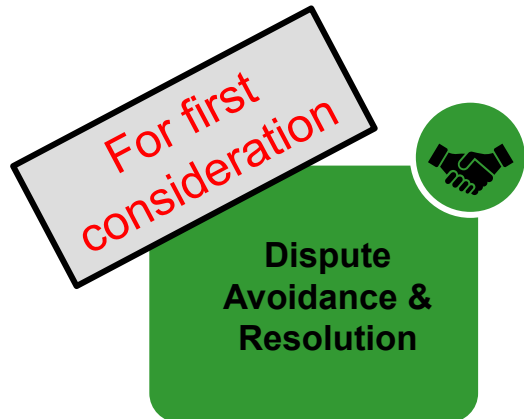
Dispute Avoidance & Resolution (2/2)



For first consideration

- The guidance 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 integrated into a countries' tax administration; and
 4. procedural issues.
- Work has been coordinated with the Working Group on Dispute Avoidance and Resolution.

TP Subcommittee: Way forward



- Asking for approval for the guidance on (1) agricultural products and (2) pharmaceutical industry
- An updated Appendix containing questions that a transfer pricing professional could ask in a functions, assets and risks analysis will be presented for approval at the 29th Session

- Presenting for first consideration the paper on the Advance Pricing Arrangement / Agreement Programs and looking forward to comments and input
- Aim is to present this paper for approval at the 29th Session



Thank you!