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

Geneva, 15-18 October 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) through (e) was approved by the Committee at the Twenty-seventh and Twenty-eighth Sessions.

The Subcommittee's Co-Coordinators are hereby: (1) providing a short progress report on the work undertaken and (2) *presenting for approval* the paper produced in relation to workstream (f) on dispute resolution and an Appendix containing a transfer pricing questionnaire for the pharmaceutical industry. The Appendix was previously considered by the Committee at the Twenty-seventh Session and would, upon approval by the Committee, be added to the interstitial guidance under workstream (e)

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) through (e) was approved by the Committee at the Twenty-seventh and Twenty-eighth Session.
2. Since the Twenty-eighth Session, the Subcommittee on Transfer Pricing met virtually on 24 May and 29 August 2024 to discuss the work undertaken by smaller drafting groups and advance its work.
3. Representatives from international organizations, the business community, governmental representatives, and academics contributed to the work of the smaller drafting groups.
4. In advancing their work, the Subcommittee also coordinated with the Committee's 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-Coordiators are hereby: (1) providing a short progress report on the work undertaken and (2) presenting for approval the paper produced in relation to workstream (f) on dispute resolution and an Appendix containing a transfer pricing questionnaire for the pharmaceutical industry. The Appendix was previously considered by the Committee at the Twenty-seventh Session and would, upon approval by the Committee, be added to the interstitial guidance under workstream (e)

Dispute avoidance and resolution in transfer pricing

6. Progress has been made by the Subcommittee to further advance this workstream, based on the comments and feedback received at the Twenty-seventh Session. The paper addresses implementing and administering Advance Pricing Arrangements / Agreements (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 an APA program should be implemented; (2) what the legal framework should be; (3) how the program should be integrated into a countries' tax administration; and (4) procedural issues.
7. The paper on dispute avoidance and resolution in transfer pricing, which is attached to this note as *Annex A, is presented for approval by the Committee.*

Appendix to guidance on transfer pricing in the pharmaceutical industry

8. Since the Twenty-eighth Session, the Subcommittee has advanced work on a draft Appendix that could be added to the already approved interstitial guidance on transfer pricing in the pharmaceutical industry. The Appendix, a shorter version of which was presented to the Committee at the Twenty-seventh Session, provides a list of potential questions that can be very useful in a FAR (functions, assets and risks) analysis of the controlled entity and its related-party transactions. The Appendix includes several questions, some quite detailed, to be tailored to a specific taxpayer under review.

9. The Appendix, which is attached to this note as *Annex B, is presented for approval by the Committee.*

Next steps

10. Should the Committee decide to approve the draft paper on dispute avoidance and resolution in transfer pricing and the Appendix to the previously approved interstitial guidance on transfer pricing in the pharmaceutical industry, the Subcommittee will have completed its work plan and fulfilled its mandate. The Subcommittee intends to provide some input on pertinent transfer pricing topics for consideration from the next membership of the Tax Committee.