



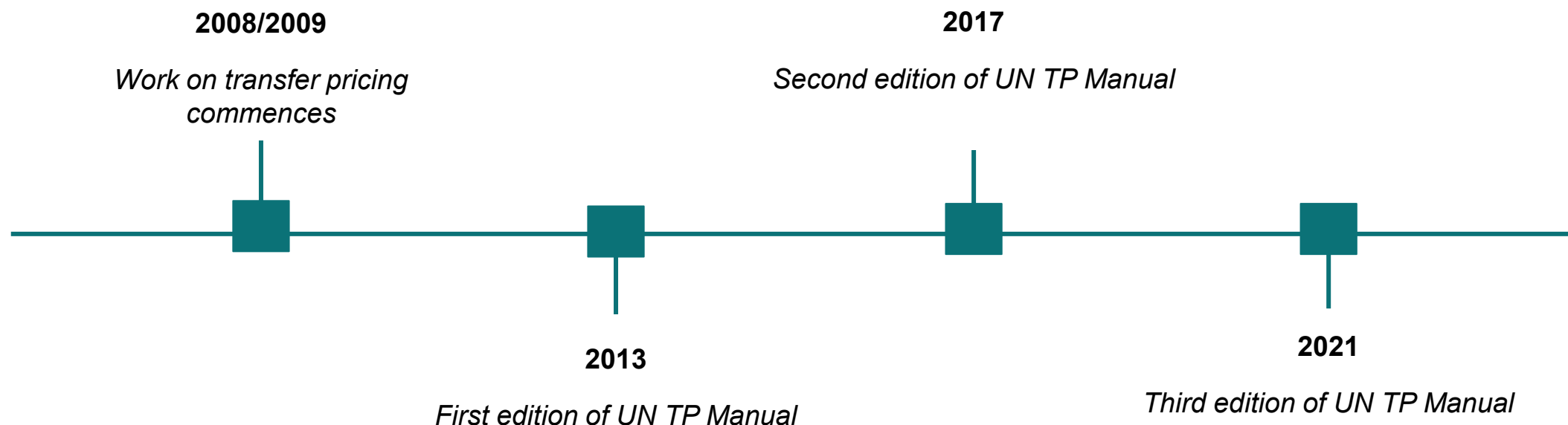
United Nations Committee of Experts on International Cooperation in Tax Matters

Secretariat Note on Transfer Pricing

Agenda

- Prior Work in the Area of Transfer Pricing
- Identified Gaps and Proposed UNTC Outputs
- Relationship with Other Workstreams & SDGs
- Committee Decision Factors for Prioritization
- Summary of Options for Committee's Consideration

Prior Work in the Area of Transfer Pricing



The UN Practical Manual on Transfer Pricing for Developing Countries (“UN TP Manual”) provides practical guidance on applying the arm’s length principle, with a focus on the needs and realities of developing countries

Prior Work in the Area of Transfer Pricing (cont'd)

The 2021 to 2025 membership of the Committee finalized stand-alone guidance products on:



Identified Gaps and Proposed UNTC Output

Financial Transactions

The 2021–2025 Subcommittee on Transfer Pricing proposed updates to Chapter 9 (Financial Transactions) to cover:

- Cash pooling arrangements
- Loan–equity distinction
- Country risk adjustments

Services & Intangibles

The 2021–2025 Subcommittee on Transfer Pricing proposed updates to Chapters 5 (Intragroup Services) and 6 (Intangibles):

- Address bundled intangibles
- Expand guidance on the benefit test

Simplification Measures

Various stakeholder submissions proposed simplification measures, including safe harbors

Country Examples

Option to update existing country chapter or expand to include further examples

Output A: Update 2021 UN TP Manual

Update UN TP Manual (Chapter 5, 6 & 9) and work on simplification measures, including safe harbors. Potential update to Part D country chapters.



Identified Gaps and Proposed UNTC Outputs (cont'd)

Attribution of Profits to Permanent Establishments

Stakeholder inputs **identified arm's length profit attribution to permanent establishments** as a concern:

- To avoid inconsistent application of PE rules, which can cause double or non-taxation
- Especially relevant given the rise of mobile workforces and service PEs

Output B: Attribution of Profits to PEs

Develop PE profit attribution guidance, especially for mobile workers and service PEs, through Article 7 commentary and a PE profit attribution report



Sector-specific Guidance

The 2021–2025 Subcommittee on Transfer Pricing proposed to **expand sector-specific guidance**:

- Focus on industries critical for developing countries and vulnerable to transfer pricing abuse
- The telecommunications sector and tourism were identified as suitable

Output C: Sector-Specific Guidance

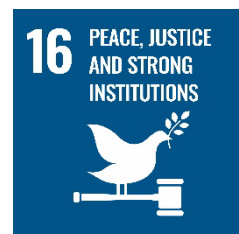
Develop sector-specific TP guidance, for example on telecommunications and tourism



Relationship with Other Workstreams & SDGs

- The proposed workstream is interlinked with other potential workstreams and will require close coordination & collaboration
- Specifically, work on Output B would require coordination with
 - UN Model Subcommittee
 - Subcommittee on the Digitalized Economy
- There are linkages to other workstreams such as on dispute avoidance and resolution

Strengthening fair and effective tax systems advances the Sustainable Development Goals (“SDGs”). The proposed work would contribute to



SDG 16 by helping develop effective, accountable institutions



SDG 17 by strengthening global partnerships and advancing transparency, domestic resource mobilization and international tax cooperation

Committee Decision Factors for Prioritization

Committee Decision Factors



- **Demand** from developing country practitioners
- Urgency for **domestic resource mobilization** and sustainable development efforts
- **Readiness for resolution** during the 2025-2029 membership of the Committee
- Availability of Member **expertise**

Output A: Update 2021 UN TP Manual



- Identified by Subcommittee on Transfer Pricing, among them developing country practitioners, and stakeholders
- High demand for simplification measures, including safe harbors
- Achievable within the term (2025-2029) based on previous update experience
- Current membership has extensive transfer pricing experience

Committee Decision Factors for Prioritization (cont'd)

Output B: Attribution of Profits to PEs



- Contentious issue causing double or non-taxation; need for guidance alongside UN Model evolution
- Would strengthen resource mobilization and reduce disputes
- Requires close coordination across subcommittees
- Current membership has necessary treaty and transfer pricing expertise

Output C: Sector-specific Guidance



- Strong demand from developing country practitioners
- Builds on output of the 2021-2025 Committee
- Achievable within the term (2025-2029) based on previous track record

Summary of Options for Committee Consideration

The Committee is asked to:

1. Decide **whether to establish this workstream** during the 2025-2029 term

2. Select the **scope of the work**



3. Decide whether to establish a **multistakeholder subcommittee** to undertake this work

Summary of Options for Committee Consideration (cont'd)

Depending on the scope for this term, the three outputs may be pursued individually, jointly, or comprehensively

Option 1



Option 5



Option 2



Option 6



Option 3



Option 7



Option 4



Option 8

The Committee may decide not to undertake any transfer pricing work during this membership