Transfer Pricing:
Fairness in Taxing Multinationals &
Extractive Industries

Practical Options for Transfer Pricing in
Developing Countries

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Emerging issues arising in Transfer Pricing in Developing Countries

• Lack of proper Transfer Pricing legislation

• Inadequate human capacity to deal with Transfer Pricing audits

• Taxpayers (including tax agents) who are unaware of Transfer Pricing arrangements and their treatment

• Lack of appropriate benchmarks in developing countries
Emerging issues arising in Transfer Pricing in Developing Countries

• Complexities involved in analyzing and understanding Transfer Pricing transactions

• No clear understanding of the arm’s length principle

• Aggressive restructuring nature of MNEs
Practical options for Transfer Pricing in Developing Countries

• **Developing TP legislation** – consider all options!!

• **Developing TP capability.** Important to determine the actual level of existing knowledge and the best organizational approach. Exposure and training is important to understanding and solving TP cases!!

• **Engagement with taxpayers, tax advisors and representative bodies** is necessary to understand the TP system of MNEs, and for MNEs to understand what is required from them in a newly introduced TP regime.
Practical options for Transfer Pricing in developing countries

- Early investment in taxpayer education.
- Risk-based approach to compliance. Risk assessment and management are key to auditing MNEs!
- Employing the use of existing databases for TP analysis. This data may require resource- and information-intensive adjustments that requires capacity building among team members. Consider the cost to access.