

# OECD/G20 BEPS: Three-tiered approach to transfer pricing documentation

## Master file

### Organisational structure

- Chart illustrating the MNE's legal and ownership structure and geographical location of operating entities.

### Description of MNE's business(es)

- General written description of the MNE's business including:
  - Important drivers of business profit;
  - A description of the supply chain for the group's five largest products and/or service offerings by turnover plus any other products and/or services amounting to more than 5 percent of group turnover. The required description could take the form of a chart or a diagram;
  - A list and brief description of important service arrangements between members of the MNE group, other than research and development (R&D) services, including a description of the capabilities of the principal locations providing important services and transfer pricing policies for allocating services costs and determining prices to be paid for intra-group services;
  - A description of the main geographic markets for the group's products and services that are referred to in the second bullet point above;
  - A brief written functional analysis describing the principal contributions to value creation by individual entities within the group, i.e. key functions performed, important risks assumed, and important assets used;
  - A description of important business restructuring transactions, acquisitions and divestitures occurring during the fiscal year.

### MNE's intangibles (as defined in Chapter VI of these Guidelines)

- A general description of the MNE's overall strategy for the development, ownership and exploitation of intangibles, including location of principal R&D facilities and location of R&D management.
- A list of intangibles or groups of intangibles of the MNE group that are important for transfer pricing purposes and which entities legally own them.
- A list of important agreements among identified associated enterprises related to intangibles, including cost contribution arrangements, principal research service agreements and licence agreements.
- A general description of the group's transfer pricing policies related to R&D and intangibles.
- A general description of any important transfers of interests in intangibles among associated enterprises during the fiscal year concerned, including the entities, countries, and compensation involved.

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## (Master file)

### MNE's intercompany financial activities

- A general description of how the group is financed, including important financing arrangements with unrelated lenders.
- The identification of any members of the MNE group that provide a central financing function for the group, including the country under whose laws the entity is organised and the place of effective management of such entities.
- A general description of the MNE's general transfer pricing policies related to financing arrangements between associated enterprises.

### MNE's financial and tax positions

- The MNE's annual consolidated financial statement for the fiscal year concerned if otherwise prepared for financial reporting, regulatory, internal management, tax or other purposes.
  - A list and brief description of the MNE group's existing unilateral advance pricing agreements (APAs) and other tax rulings relating to the allocation of income among countries.
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## Local file

### Local entity

- A description of the management structure of the local entity, a local organisation chart, and a description of the individuals to whom local management reports and the country(ies) in which such individuals maintain their principal offices.
- A detailed description of the business and business strategy pursued by the local entity including an indication whether the local entity has been involved in or affected by business restructurings or intangibles transfers in the present or immediately past year and an explanation of those aspects of such transactions affecting the local entity.
- Key competitors.

### Controlled transactions

- For each material category of controlled transactions in which the entity is involved, provide the following information:
- A description of the material controlled transactions (e.g. procurement of manufacturing services, purchase of goods, provision of services, loans, financial and performance guarantees, licences of intangibles, etc.) and the context in which such transactions take place.
- The amount of intra-group payments and receipts for each category of controlled transactions involving the local entity (i.e. payments and receipts for products, services, royalties, interest, etc.) broken down by tax jurisdiction of the foreign payor or recipient.

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## (Local file)

### (Controlled transactions)

- An identification of associated enterprises involved in each category of controlled transactions, and the relationship amongst them.
- Copies of all material intercompany agreements concluded by the local entity.
- A detailed comparability and functional analysis of the taxpayer and relevant associated enterprises with respect to each documented category of controlled transactions, including any changes compared to prior years.<sup>1</sup>
- An indication of the most appropriate transfer pricing method with regard to the category of transaction and the reasons for selecting that method.
- An indication of which associated enterprise is selected as the tested party, if applicable, and an explanation of the reasons for this selection.
- A summary of the important assumptions made in applying the transfer pricing methodology.
- If relevant, an explanation of the reasons for performing a multi-year analysis.
- A list and description of selected comparable uncontrolled transactions (internal or external), if any, and information on relevant financial indicators for independent enterprises relied on in the transfer pricing analysis, including a description of the comparable search methodology and the source of such information.
- A description of any comparability adjustments performed, and an indication of whether adjustments have been made to the results of the tested party, the comparable uncontrolled transactions, or both.
- A description of the reasons for concluding that relevant transactions were priced on an arm's length basis based on the application of the selected transfer pricing method.
- A summary of financial information used in applying the transfer pricing methodology.
- A copy of existing unilateral and bilateral/multilateral APAs and other tax rulings to which the local tax jurisdiction is not a party and which are related to controlled transactions described above.

### Financial information

- Annual local entity financial accounts for the fiscal year concerned. If audited statements exist they should be supplied and if not, existing unaudited statements should be supplied.
- Information and allocation schedules showing how the financial data used in applying the transfer pricing method may be tied to the annual financial statements.
- Summary schedules of relevant financial data for comparables used in the analysis and the sources from which that data was obtained.

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## A model template for the Country-by-Country Report

**Table 1. Overview of allocation of income, taxes and business activities by tax jurisdiction**

| Name of the MNE group:<br>Fiscal year concerned: |                 |               |       |                                 |                                 |                                   |                |                      |                     |  |
|--|-----------------|---------------|-------|---------------------------------|---------------------------------|-----------------------------------|----------------|----------------------|---------------------|--|
| Tax Jurisdiction                                 | Revenues        |               |       | Profit (Loss) Before Income Tax | Income Tax Paid (on cash basis) | Income Tax Accrued – Current Year | Stated capital | Accumulated earnings | Number of Employees | Tangible Assets other than Cash and Cash Equivalents |
|  | Unrelated Party | Related Party | Total |                                 |                                 |                                   |                |                      |                     |  |
|  |                 |               |       |                                 |                                 |                                   |                |                      |                     |  |
|  |                 |               |       |                                 |                                 |                                   |                |                      |                     |  |
|  |                 |               |       |                                 |                                 |                                   |                |                      |                     |  |
|  |                 |               |       |                                 |                                 |                                   |                |                      |                     |  |

**Table 2. List of all the Constituent Entities of the MNE group included in each aggregation per tax jurisdiction**

| Name of the MNE group:<br>Fiscal year concerned: |   |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|--|---|---|-----------------------------|---|---------------------------|-----------------------------|----------------------------------|--|--|------------------------|------------------------------|-----------|--|---------|
| Tax Jurisdiction                                 | Constituent Entities resident in the Tax Jurisdiction | Tax Jurisdiction of organisation or incorporation if different from Tax Jurisdiction of Residence | Main business activity(ies) |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|  |   |   | Research and Development    | Holding or Managing intellectual property | Purchasing or Procurement | Manufacturing or Production | Sales, Marketing or Distribution | Administrative, Management or Support Services | Provision of Services to unrelated parties | Internal Group Finance | Regulated Financial Services | Insurance | Holding shares or other equity instruments | Dormant |
|  | 1.  |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|  | 2.  |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|  | 3.  |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|  | 1.  |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|  | 2.  |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |
|  | 3.  |   |                             |   |                           |                             |                                  |  |  |                        |                              |           |  |         |

<sup>2</sup> Please specify the nature of the activity of the Constituent Entity in the “Additional Information” section.

**Table 3. Additional Information**

| Name of the MNE group:<br>Fiscal year concerned:   |
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| Please include any further brief information or explanation you consider necessary or that would facilitate the understanding of the compulsory information provided in the Country-by-Country Report. |