Transfer Pricing: A Playoff between Tax Authorities and MNCs

Sridhar Kundu

2014

Contents

I. Introduction

Transfer Pricing (TP) is a global economic phenomenon. It is defined as the pricing (value) of goods and services transferred between two related business firms. Organization of Economic Co-operation and Development (OECD), 2001, defines transfer price as a price adopted for book-keeping purposes, which is used to value transactions between affiliated enterprises integrated under the same management at artificially high or low levels in order to effect an unspecified income payment or capital transfer between those enterprises[1].

TP as an issue has emerged important with the introduction of open economic policies by most governments in the period of globalisation. The World Development Report (WDR) 1999-2000 notes that fragmentation of production process has been a new trend in this period. Different segments of a firm's production take place under the ownership of its various sister concerns[2] in different countries and trade takes place within the same firm across countries. According to the WDR 1999-2000, about one-third of world trade takes place within this global network. Halifax Initiative reports that about 60 percent of world trade takes place among the members of the same company[3]. Increasing intra-firm trade raises the global concern of mispricing of transferred goods and services within the firm, as country-wise tax structure is different. Hines (1996) and Clausing (1998) provide evidence of transfer prices significantly influenced by countries' taxation policy. A multinational firm tries to capitalize on these differences in tax structure of countries through mispricing (under-invoicing or over-invoicing) of the transfer of goods and services within its production network and maximise its profits. This practice of TP causes loss of revenue to Governments. The whole scenario is analyzed with the following example.

Example: Firm A produces and distributes a product in India. Corporate income tax in India is 30 percent. It acquires licence of using Intellectual Property (I.P) supplied by its sister concern Firm B which is registered in Cayman Island where there is no income tax. Profit incurred by Firm A is shifted to Firm B in the form of cost of buying I.P. and as a whole the Firm maximizes its global profit. This results in loss of revenue for the Govt. of India. The following Table depicts the whole transactions and profits (losses) of the Firm and Governments of the countries concerned.

[1] OECD, 2001, Statistics update, can be accessed in the link http://stats.oecd.org/glossary/detail.asp?ID=2757

[2] Sister Concerns refers to related firms of the same enterprise

[3] 2013, Peter Gillespe, 'Tax troubles: How TNCs enhance profits by avoiding Taxes'- Third World Resurgence, Issue 268.

Firm A from India (Corporate Income tax rate is 30%)-	Initial Product cost	License to use I.P from Firm B Regd. in Cayman Island- Input Cost	Total Cost	Price of the Product sold in Indian territory	Profit = (price-Total cost)	Revenue earned by India Govt. at profit tax 30%	Net Profit of Firm A in India	In case proper pricing of I.P (at 10$) - Rev earned by Govt. at 30% rate	In case of proper pricing of I.P. (10$) – Net Profit of Firm A
Firm A	100$	100$	200$	200$	0	0	0	30% of (100-10)= 27$	200$-(100$+10$+27$) = 63$
Cayman Island- Firm B operates (Profit tax rate is 0%)	Cost Incurred to supply I.P.	Price Charged by Firm B to provide Licence	Total Cost	Price of the product	Profit = (price-cost)	Revenue earned by Cayman Island Govt. at profit tax 0%	Net profit of Firm B	In case of provisioning license at 10$- Rev earned by Cayman Is	In case of provisioning license at 10$- Revenue earned by Firm B
Firm B	10$	100$	10$	100$	90$	0	90$	0	0
Revenue earned to the India Govt. where business takes place						0	-	-	-
Profit earned by Firm = (FirmA+FirmB)							90$	-	-
Loss to the India Govt. A where whole business of the Firm A takes place								27$	-
In case of fair prices of transactions between two sister concerns Firm A and Firm B, net profit of Firm would be									63$

Considering the increasing number of MNCs, the issue of TP has gained greater interest. United Nations Conference on Trade and Development (UNCTAD) notes that the number of MNCs is about 63,000 which have about 700,000 branches in other countries. They contribute 25% of world's output and employ 86 million labourers (Ionescu etal, 2007). Organization of Economic Co-operation and Development (OECD) has laid down various guidelines for tracking TP cases. OECD guidelines for TP are based upon Arms Length Principle (ALP). There are various methods of measuring TP based on ALP. Most of the countries' TP policy is based on this principle. However, there is absence of consistency in application of TP methods at country level. MNCs also try to capitalize this inconsistency in application of TP methods to maximize profits. Various TP related issues are discussed in the following sections-

II. Game between Taxpayers and Tax Authorities

As defined above, transfer price is the price charged for the goods and services transferred between two related firms, where the firms (taxpayers) enjoy the liberty to set the price. The price set by the firm for its related firms aims at profit maximisation. On the other side, the tax authority has a set of comparable prices of the same type of transactions taking place between unrelated or independent firms. On the basis of certain global principles, which are discussed later in the paper, the tax authority finds a suitable price among the set of comparable prices. A win-win situation occurs when there is minimum deviation between the two prices, one which is set by the tax payer and the other which is set by the tax authority. The two cases are discussed in the next sections.

III. A Means of Profit Maximisation for MNCs

It is logical to believe that the Transfer Price may not be the same as the market price, as the transaction of goods and services takes place between two related firms. Price difference is engineered by the related firms to capitalize the tax differences in the counties where they operate. The differences in tax rates influence the extent of price differences and thus the overall profit of the firm. The complete authority to set the price for its transferred goods and services makes the firm resort to transfer mispricing. There are two possibilities of transfer mispricing through which related firms try to capitalize the differences in tax structure of the countries in which they operate. These are,

a. Under invoicing
b. Over invoicing

Under (over) invoicing is a common practice followed by related firms operating in different tax regimes (countries). It is defined as the reported price (billing price) which is less (more) than the market price. Under or over invoicing of the goods and services transferred between two related firms depends on differences in tax rates of the two countries (Horst, 1997). The tax differences provide motivation to firms to resort to transfer mispricing (ActionAid, 2010). Various cases of mispricing (under or over pricing) by the MNCs under different circumstances have been presented in Appendix I. The practice of mispricing of the transferred goods and services between related firms in order to lower the overall tax burden (liability) is known as 'Tax Evasion'. This is different from 'Tax Avoidance' which means avoidance of paying taxes while remaining within the legal perimeter i.e. lowering the tax burden by detecting legal loopholes existing in the system. It should be noted here that transfer pricing is an instrument of tax evasion and tax avoidance. According to Prem Sikka, 2009, transfer pricing is the biggest tax avoidance scheme of all[4]. This shows that TP is used as a tool for tax evasion or avoidance i.e. non-compliance of taxes, which provides abnormal profit to MNCs and losses for the Government.

IV. Selection of the Right Method

[4] Prem Sikka: 'Profit Shifting across borders', the guardian, 12feb, 2009

The challenge before the tax authorities of every country is to choose the right method of measuring the value of different kinds of goods and services transacted between two related parties. There are continuous global efforts in this direction. The Organisation of Economic Cooperation and Development (OECD) had formulated certain TP guidelines which are based on Arm's Length Principle (ALP) and most of the countries' TP laws are influenced by this principle. Article 9 of the Model Tax Convention on Income and on Capital formulated by OECD covers the concept of arm's length principle which says: [when] conditions are made or imposed between two [associated] enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

Various methods have been followed to determine arms length price for transfer of goods and services. Some methods are traditional i.e. commonly used in transaction and some are non-traditional. The countries follow the most appropriate method looking at the various facets of the applicability or non-applicability of the methods.

The traditional methods are

i. Comparable Uncontrolled Price Method (CUP)
ii. Resale Price Method (RPM)
iii. Cost Plus Method (CPM)

The Non-traditional methods are

iv. Transactions Net Margin Method (TNMM)
v. Profit Split Method (PSM)
vi. Any other methods as prescribed by the Tax Authority

These methods are used at different levels of transaction that takes place between two related firms. The methods are discussed in brief in Appendix II. There are no such strict rules to use a particular method to deal with TP issues. Countries use different methods to suit their economies and the nature of business transactions taking place within their borders.

V. MNCs (tax payers in the game) leading the Race

In the case of TP, a profit maximising firm tries to adopt a price for its transaction with sister concern firms which would allow it to pay least possible taxes to the Governments. For this purpose, it adopts any legal or illegal means of tax dodging[5]. It is reported that Governments worldwide lose more than $3.1 trillion annually because of tax evasion. This amounts to 5.1 percent of global gross domestic product (2011, Tax justice network (TJN))[6].

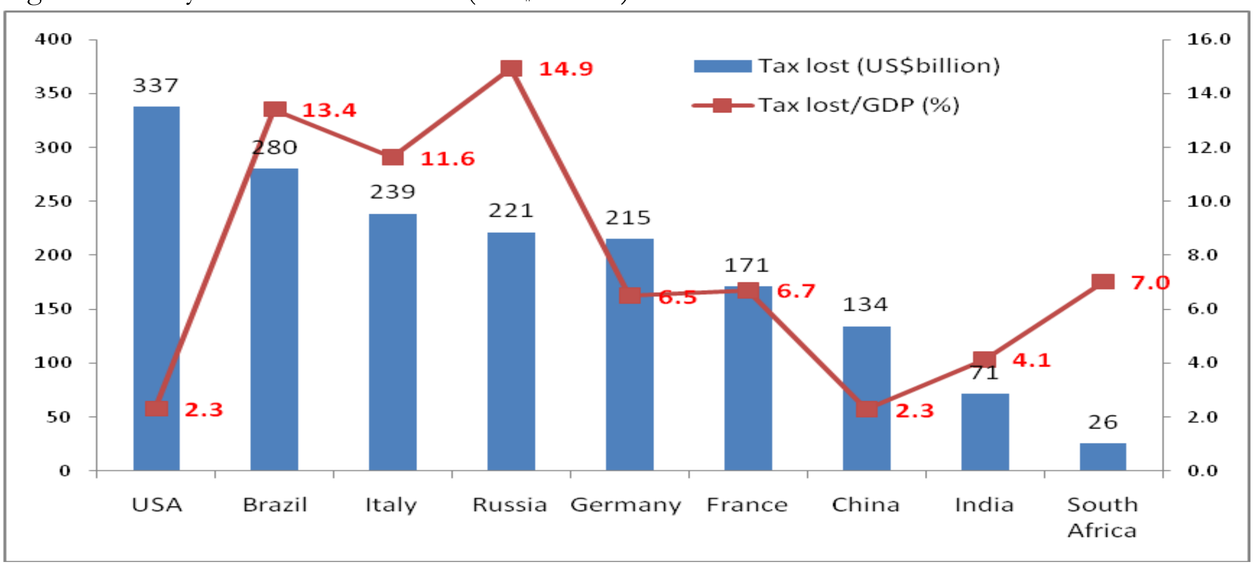
[5] Tax dodging simply means non-compliance of taxes either by legal or illegal means
[6] 2011, Tax Justice Network: ' The cost of tax abuse'- " A briefing paper on tax evasion worldwide, November 2011

Looking at the huge losses caused by tax evasion, it can be inferred that MNCs are able to explore many possible ways to get away with dodging taxes and are thus ahead of the tax authority in the race. But the real heat of tax evasion losses is felt by the governments in developing economies, as their revenue base is low. The subsection below presents this analysis.

<u>Va. Public Revenue Losses - A Bane for Developing Economies</u>

ActionAid 2013 reports increasing rate of non-compliance of taxes by the MNCs that plunder poor nations[7]. The TJN Report 2011 shows that developed nations in Europe and America experience larger amounts of tax loss because of tax evasion. But the Report also notes that the losses as a percent of GDP in developing countries are comparable to that of many developed economies in Europe and America. The figure below shows the revenue losses in absolute amount and as a percent of GDP for a few countries, including both developing and developed economies.

Figure: Country-wise loss of revenue (US $ billion) due to tax evasion in 2010



Source: Tax Justice Network, 2011

USA tops the ranking reporting US$ 337 billion loss to the Government followed by Brazil's loss of US$ 280 billion. Most of the bigger European economies like Italy, Russia, Germany, France and others fall behind these two economies in terms of the absolute amount of tax evasion. Among the developing countries, China ranks 8th and India ranks 13th in terms of absolute amount of tax lost to the government. For China, total loss to the government treasury in the form of tax evasion in 2010 was US$ 134 billion while in India it was US$ 71 billion. TJN prepared a list of 145 countries in decreasing order of tax evasion losses and South Africa ranked 26th in this list.

It must be noted here that the losses because of tax evasion as percent of GDP in USA is 2.3 which is far less compared to Brazil which stands next in terms of absolute tax evasion losses. The tax evasion losses in 2010 constituted 13.4 percent of its GDP. Tax evasion losses in Russia, an

[7] Note- 2013 May, Action aid, In this report, non-compliance of taxes refers particularly to Tax havens

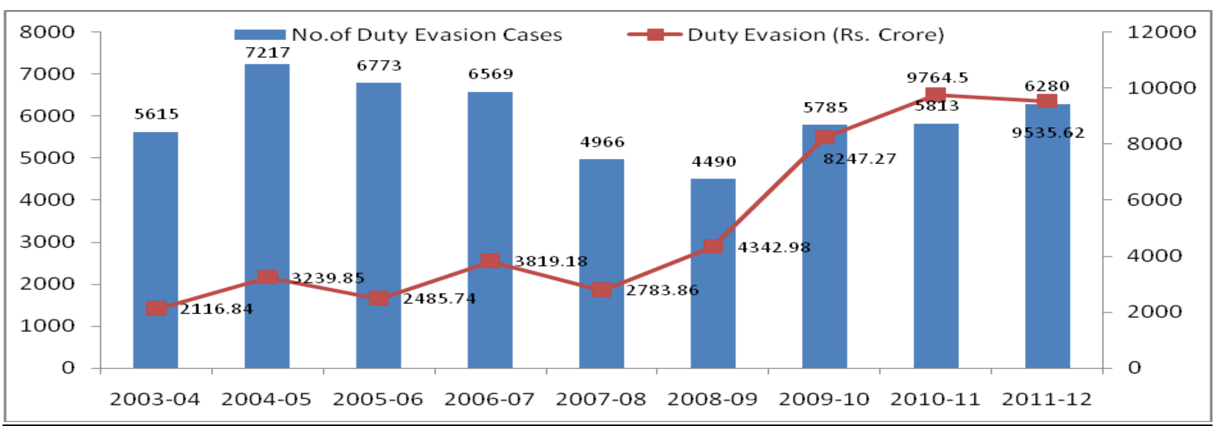
emerging economy and a prominent partner in BRICS group, are 14.9 percent of its GDP. The tax evasion losses in India cover 4.1 percent of its GDP in 2010 which is higher than China's 2.3 percent, though in absolute amount China has a higher rank than India. Similarly, South Africa's tax evasion losses are lower compared to India, but in terms of percent of GDP it higher than these two developing economies. The losses due to tax evasion triggered 7 percent of South Africa's GDP which is higher than USA and many European countries who report huge tax evasion losses.

The magnitude of losses is higher in the developing economies who feel the real heat of tax evasion by the MNCs. The losses due to tax evasion reduce the fiscal space for governments to spend more on public provisioning of services. As the developing economies are in the bracket of low per-capita income, government spending on basic necessities like education and health care is an urgent need. Therefore, any loss to the Government treasury in developing economies, affects public at large.

Vb. Tax Evasion in India- Lack of Data

Tax evasion cases are rife in India. However, there are no clear estimates by tax authorities in India on extent of loss due to tax evasion in the country. The Central Board of Excise and Customs (CBEC) reports that the number of duty evasion cases, both excise and services, have been more or less constant since 2003-04. However, the amount involved in these cases has been on a rising trend in 2003-04 and 2011-12. The Figure below shows the rapid rise of duty evasion cases in India since 2003-04.

Figure: Duty Evasion cases in India



Source: Central Board of Excise and Customs, Ministry of Finance, Government of India

Total number of duty evasion cases as reported during 2003-04 is 5614 which amounts to Rs. 2116.84 Crore. The number of cases increased to 7217 in 2004-05 and the tax evasion amount in these cases stands at Rs. 3240 Crore. In 2011-12, total number of cases reached 6280. But the amount of tax amount involved in these evasion cases touched Rs. 9535.6 Crore. This amounts to approximately 1 percent of India's GDP.

VI. Maximisation of Profit through Profit Shifting

Along with the procedure of under or over invoicing, some multinational firms adopt the policy of profit shifting to lower or no-tax zones named as tax havens, in order to maximise its profit. This is a case of non-compliance of tax. In this case, a firm operating in a high tax zone shifts a larger share of profit or all the profit to its sister concern registered in a tax haven. Tax havens are normally low or no tax countries[8]. The Global Transfer Pricing Review 2013 by KPMG notes that they are smaller economies (mostly island nations) and do not have TP regulations. The tax rates are low in these regions and they are the residence of many virtual firms. The tax havens are listed in Appendix-III. The practice of profit shifting between two related firms normally occurs in case of transfer of intangibles.

With profit shifting to tax havens, the total tax on profit (income) of the multinational firm approaches to zero. This is known as 'Base Erosion and Profit Shifting (BEPS)'. Because of low tax rates, the tax havens attract large foreign direct investment (FDI). They perpetuate the growth of shadow economy. The shadow economy, which constitutes of all the shadow firms[9] formed only for profit shifting purposes, amounted to US$ 11.2 trillion in 2011. The shadow economy is estimated as 17.8 percent of world GDP[10].

A larger share of MNCs' profits is shifted to their subsidiaries registered in the tax havens and therefore minimises the total payable tax amounts in the process. These economies (tax havens) are the source of investment for many developing countries in the world. Action Aid Report 2013 presents that $75 billion of FDI in developing countries came from Mauritius in 2011. Singapore is in second position in this rank where the flow of FDI amounts to $ 65 billion to developing nations[11]. In India 36 percent of FDI inflows are from Mauritius, followed by 12 percent inflows from Singapore during 2000-2014[12]. Mauritius and Singapore possess all features of Tax havens as defined by OECD.

VII. Differences in Policy Approach in Brazil, Russia and China

It is evident from the above sections that non-compliance of taxes by MNCs causes huge revenue losses to the governments. Transfer pricing as a mechanism seems to facilitate this practice of MNCs. In this section we discuss the TP policies implemented in some countries like Brazil, Russia, China and India and try to observe the differences in methods and their application. The TP policies in India are discussed in detail in a separate section.

Brazilian TP rules came into force in January, 1997. The Brazilian TP policy refers to the OECD's ALP, but does not strictly follow it. The policy establishes a maximum price for deductible expenses on imports and a minimum profit rate on exports performed between associated enterprises. It has

[8] OECD defines tax havens are low tax zones, lack of effective exchange of information, lack of transparency in tax policy and mostly exist to attract investment.

[9] Shadow firms are the subsidiaries which are formed for shifting profits from high tax regimes. These firms are mainly registered in the Tax havens and have very less contribution to overall value addition to firms' production

[10] 2011, Tax Justice Network: ' The cost of tax abuse'- " A briefing paper on tax evasion worldwide, November 2011

[11] May 2013, Action Aid, 'How Tax havens plunder the poor'

[12] 2014 August, FDI Statistics, Department of Industrial Policy and Promotion

established parameters that work as ‘safe harbours[13]’ by limiting the profit margins of the related parties. Brazilian TP policy claims that the legislation aims to protect the investors and is an attempt to diminish the administrative and compliance costs involved in the process of determining the ALP.

The Russian Tax Code 1999 first introduced the TP legislations which remained effective until the new law became effective in January, 2012. Its TP policy declared ALP as the key guiding principle. The legislation follows the ALP methods of a. Comparable Uncontrolled Price (CUP), b. the resale price method, c. the cost-plus method, for determining the proxy for a market price. The Act 2012 introduced APA[14] and Safe harbor rules to resolve TP dispute cases.

In 1991, China introduced Transfer Pricing legislation as a part of its taxation policy. It follows the OECD guidelines of ALP. The arms length range is one of the issues to be negotiated before reaching an APA in China. The Annual Report -2012 on APA in China shows that around 68 percent of total APAs in China during 2005-12, have been signed by using TNMM (Refer Appendix-IV). Other methods like PSM have taken a backseat. However, in India, the PSM is given priority over TNMM in measuring the value of intangible transfers between two related firms. In the circular No.2/2013, Central Board of Direct Taxes (CBDT) has notified this concern[15].

The above discussion shows that there is no unique TP policy for all the countries. There are lots of gaps in application of TP methods which give enough room for mismatch in transfer prices.

VIII. Transfer Pricing Disputes in India

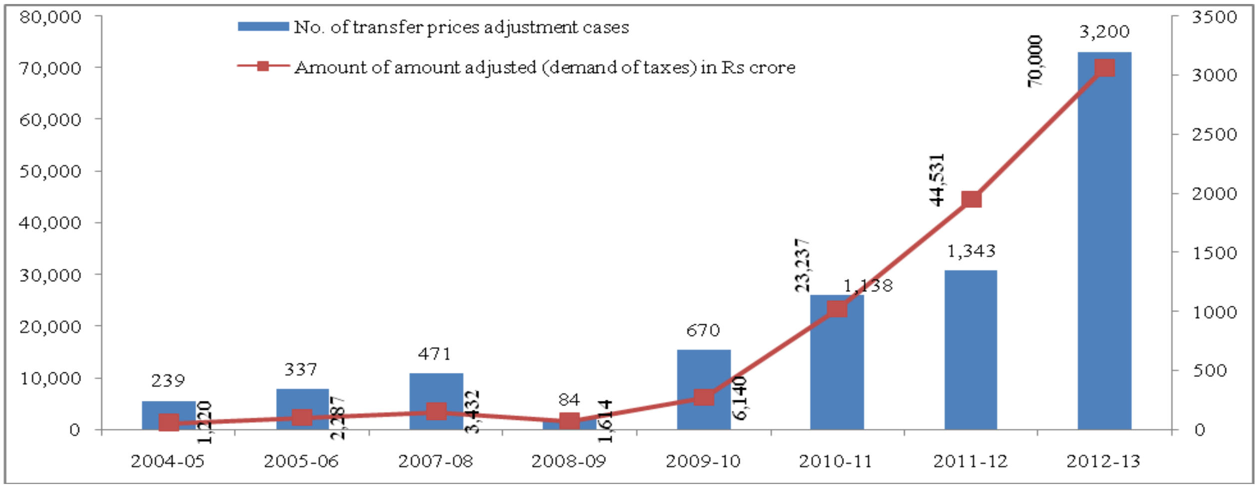
India’s TP rules came into force in 2001. There are two primary legislations related to TP in India. They are Finance Act, 2001 and Finance Act, 2012. The Finance Act 2001 presents India’s TP policy based on OECD guidelines on ALP. However, the Act 2001 fails to address all TP related issues. Ministry of Finance notes that TP disputes cases are on a rising trend since 2004-05 and money involved in these cases is quite high. The trend is presented below.

Figure: Annual trend of Number of Transfer Pricing Cases and Amount of Money involved since 2004- 05

[13] The safe harbor rules prescribe minimum operating profit margins in relation to operating expenses which a taxpayer is expected to earn for certain categories of international transactions

[14] Under Advance Pricing Agreement future transfer between two related parties takes place with a pre-determined price

[15] Circular 02/2013, Ministry of Finance, Government of India



Source: Ministry of Finance

In 2012-2013, the total number of transfer pricing cases was 3200 worth Rs 70,000 crore, which is about 0.6 percent of India's GDP.

The Finance Act, 2012 made the Transfer Pricing Policy more comprehensive and presented specific legislations for speedy resolution of cases. The Finance Act, 2012 extended the scope of transfer pricing to cover certain domestic transactions (payments to related parties and tax holiday) with related parties within India, defined as 'Specified Domestic Transactions'.

The Finance Act 2012 introduced the (Advance Pricing Agreement) APA in India. Advocates of APAs claim that the concept is a panacea for the growing TP litigations in the country. If implemented fairly it would provide a more conducive business environment and help bridge the trust deficit currently prevailing between the tax payer and tax authorities. It is regarded as more progressive and proactive compared to Mutual Agreement Procedure (MAP)[16]. MAP was a part of Finance Act 2001 and is used to resolve disputes related to double taxation avoidance agreements.

VIIIa. Recent Developments in Transfer Pricing Policy in India

The present Union Government has made certain policy changes related to Transfer Pricing in the Union Budget 2014-15. These policy issues are,

- Government of India increased the threshold for applicability of TP provisions to Specified Domestic Transaction (SDT) from Rs. 5 Crore to 100 Crore. SDT refers to transfer of goods and services between two subsidiaries of a business firm within the domestic territory of a country. The objective behind the increase in the threshold limit for SDT is to bring bigger firms into the TP net and provide smaller domestic firms some relaxations.
- Indian TP regulations prescribed the use of Arithmetic Mean (of the prices of same set of comparables available with the IT Dept.), with a range of +-(3%), for determination of ALP.

[16] 2012, Grant Thornton, India's APA regime, The Game Changer

The AM method faces the problem of outliers. In the recent policy as prescribed in the budget 2014-15, the inter-quartile range (Q3-Q1) is followed to find the comparable prices. This method is used in many OECD and non-OECD countries to arrive at the comparable prices.

- In place of single year data, multiple years' data can be used to arrive at the comparable price which is based on ALP.
- Signing of an Advance Pricing Agreement (APA) became more flexible and investor friendly.

IX. Conclusion

Transfer pricing issues are rife in the present age of globalisation. Some MNCs try to maximise their global profits through the process of either under (over) invoicing and profit shifting to tax havens. It involves loss of public money out of the Government treasury and developing economies are adversely impacted by transfer mispricing followed by some MNCs. It is found that losses due to tax evasion by developing countries with respect to their GDP are high. At the global level, various TP methods have been followed. However, there is no consistent approach in following the methods to address the TP issues. Disputes related to transfer pricing are quite large in India which involves a lot of money. The Finance Act 2012 tried to address this issue by making the policy more comprehensive. The present budget 2014-15 also made some changes in TP policy to reduce litigations. Efforts are needed in the direction of making policies that will help resolve the TP issues amicably within limited time, so that it would bring more revenue and encourage investment inflows.

References

Hines (1990): The transfer pricing problem: where the firms are, NBER Working Paper No.3538

Hines (1996): Tax Policy and the Activities of Multinational Corporations, NBER Working Paper No. 5589

Clausing (1998): The Impact of Transfer Pricing on Intra-firm Trade, NBER Working Paper No. 6688

Swenson (2000): Tax Reforms and Evidence of Transfer Pricing, NBER Working Paper

Satapathy (2001): Transfer Pricing: Impact on Trade and Profit Taxation, Economic and Political Weekly, May 19, P (1689-2001)

Jose Pedro Pontes (2001): Multi-national Firms, Integration and Economic Growth, Lisboa School of Economics and Management, WP2001.

Desai, Mihir A. / Fritz C. Foley / James R. Hines Jr. (2005): Do tax havens divert economic activity? Social Sciences Research Network (Electronic Paper Collection); online: http://ssrn.com/abstract=891211

T Zhong (2007), UN Expert Groups Meeting- A discussion on emerging issues 'P. R. CHINA'S EXPERIENCE OF TAX ADMINISTRATION ON TRANSFER PRICING OF INTANGIBLE PROPERTY TRANSACTIONS'.

Dharmapala, Dhammika / James R. Hines Jr. (2007): Which countries become tax havens?; Cambridge, Mass.: National Bureau of Economic Research (Working Paper 12802); online:http://www.nber.org/papers/w12802

Tax Justice Network (2011): 'the cost of tax abuse' A briefing paper on the cost of tax evasion worldwide'

Ministry of Finance (2012): White Paper on Black Money

ActionAid (2013): How Tax haven plunder the poor

Naniwadekar and Janani (2013): Tripping over Transfer Pricing Regulations in India, tax notes international, Vol-71

Rao and Sengupta (2014): 'An action plan for base erosion and profit shifting: An Indian perspective', NIPFP one pager, May 2014

Appendix I

<u>Motivation for Transfer Price manipulations when a parent company sells to an affiliate abroad</u>

Motivation	Action by MNC
Corporate Profits tax	Underpricing
Custom duties Imports Exports	Underpricing Underpricing
Repatriation of profits or capital	Overpricing
Exchange risks Claims in strong currency	Overpricing
Capitalising machinery	Overpricing
Support claims for price increase when government fixes prices	Overpricing
Responding to anti-monopoly charges	Underpricing
Responding to dumping charges	Overpricing
Mitigating claims for wage increases	Overpricing, to lower reported profits
Joint ventures	Overpricing
Supporting an infant foreign affiliate	Underpricing
Enlarging market share through penetration pricing	Underpricing, provided lower costs to foreign affiliates

Source: Mc Nair, Dottey and Coham (2010) 'Treansfer Pricing, and the taxing rights of developing countries, Christian Aid

Appendix II

i. Comparable Uncontrolled Price (CUP) Method – This method is also known as Market Price method under which the price of a transferred product is compared with the prices of similar products sold by or to uncontrolled and unconnected entities.

ii. Cost plus Method: This is a user-friendly method for determining the arms' length price. The price of the transferred product between two associate enterprises is the cost of production of the product and a net profit margin of the producing enterprise.

iii. Resale Price Method (RPM): this is one of the traditional transaction methods that can be used to apply for determining the arms length price. In this method, the price at which a product bought from an associated multinational firm is resold to an unconnected firm i.e. an independent customer is taken as the base price. From the base price the gross profit margin, customs duties etc. are deducted to arrive at cost of goods.

Iv. Transactional Net Margin Method (TNMM): this method is generally applied in the case of transfer of partially completed products, distribution of completed products and where Resale Price Method (RPM) cannot be sufficiently applied. It examines the net profit margin relative to an appropriate base (e.g. costs, sales, assets) that a tax payer realizes from a controlled transaction.

Net Profit Margin = Gross Profit Margin – Operating Expenses

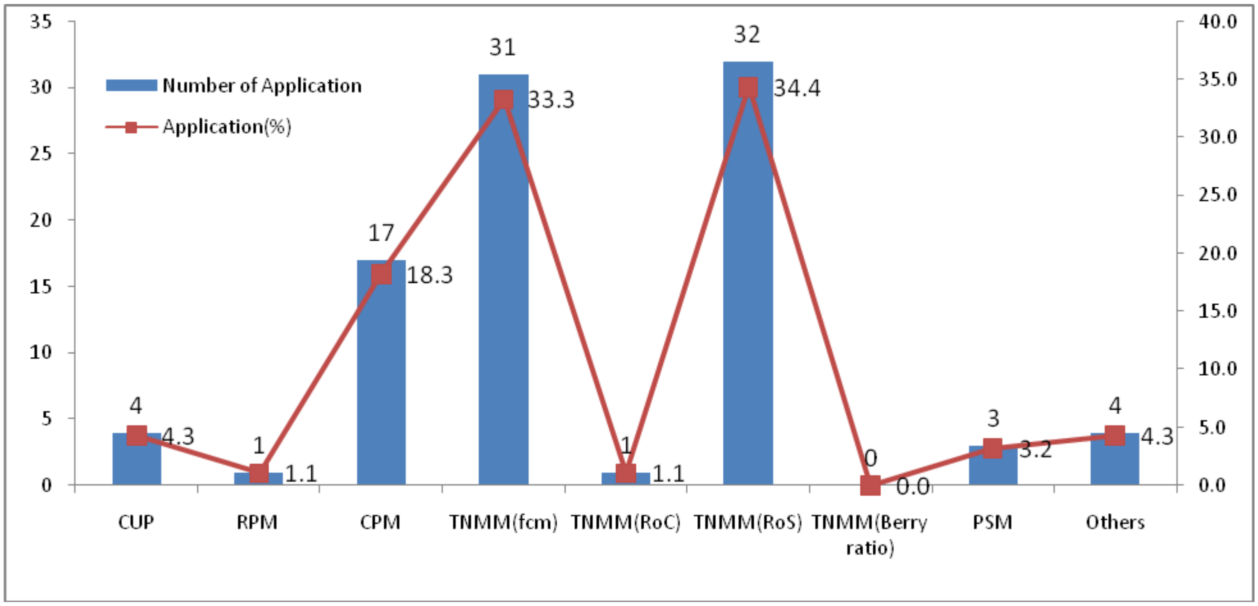
v. Profit Split Method (PSM): This method is used when associate enterprises are so combined that it becomes difficult to undertake transfer pricing analysis on transactional methods basis. It is typically applied when both sides of the controlled transaction own significant intangible properties. The profit is to be divided as is expected in a joint venture relationship. There are three ways to split the profits, such as, contribution, comparability and residual basis.

Appendix III- List of Tax havens existing globally

Sl.No.	Country/Region	Sl.No.	Country/Region
1	Andorra	31	Macao
2	Anguilla UK	32	Madeira
3	Antigua and Barbuda	33	Maldives
4	Aruba	34	Malta
5	Bahamas	35	Marshall Islands
6	Bahrain	36	Mauritius
7	Barbados	37	Monaco
8	Belize	38	Montserrat UK
9	Bermuda	39	Nauru
10	British Virgin Islands	40	Netherlands Antilles
11	Canary Island	41	Niue
12	Cayman Islands	42	Panama
13	Channel Islands	43	Puerto Rico
14	Cook Islands	44	Saint Kitts and Nevis
15	Costa Rica	45	Saint Lucia
16	Cyprus	46	Saint Vincent and the Grenadines
17	Djibouti	47	Samoa (Western)
18	Dominica	48	San Marino
19	Gibraltar	49	Seychelles
20	Grenada	50	Singapore
21	Hong Kong	51	Soloman Islands
22	Ireland	52	Switzerland
23	Isle of Man	53	Tonga
24	Jersey	54	Tunisia
25	Jordan	55	Turks and Caicos Islands
26	Labuan	56	United Arab Emirates
27	Lebanon	57	Uruguary
28	Liberia	58	Vanautu
29	Liechtenstein	59	Virgin Islands
30	Luxembourg		

Source: Dharmapala / Hines.Jr (2007); Eden Lorraine / Robert T Kudrle (2005)

Appendix-IV- Transfer Pricing methods applied in APAs signed between 2005-12 in China



Source: China APA Annual Report 2012

FOR FURTHER INFORMATION, PLEASE WRITE TO : sridhar@cbgaindia.org

PUBLISHED BY

CENTRE FOR BUDGET AND GOVERNANCE ACCOUNTABILITY

B-7, Extn. 110/A(Ground Floor), Harsukh Marg, Safdarjung enclave, New delhi-110029
Ph: +91-11-49200400/401/402
Email: info@cbgaindia.org
Website: www. cbgaindia.org

In collaboration with

Supported By

This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the author and can in no way be taken to reflect the views of the European Union.