



UN Webinar on Transfer Pricing Aspects of Financial Transactions

Concept note

Date: 25 March 2021, from 8 a.m. to 11:30 a.m. EST

Location: Virtual sessions (live event)

Organiser: Financing for Sustainable Development Office of the United Nations Department of Economic and Social Affairs (FSDO/UNDESA)

Transfer pricing refers to the mechanism by which cross-border related party transactions are priced. As a result of the common ownership or management of the related parties, the transactions are not subject to the market forces that would otherwise guide the setting of prices between transactions partners.

The internationally accepted test of whether pricing reflects its true value – as contained in Article 9 of the [UN Model Double Taxation Convention between Developed and Developing Countries](#) – is whether it has occurred at arm's length: that is, whether the price between related parties resembles the price that market participants acting independently and in their own interest would have paid under the same or similar circumstances. When this is not the case, issues of tax evasion may potentially arise, undermining countries' efforts to mobilize domestic resources for sustainable development.

Implementing and administering effective transfer pricing laws can pose a particularly difficult burden on developing countries, due to capacity constraints within tax authorities. The United Nations Committee of Experts on International Cooperation in Tax Matters produced the [United Nations Practical Manual on Transfer Pricing for Developing Countries](#) in response to the need for clearer guidance on the policy and administrative aspects of transfer pricing. The Manual assists policy makers and tax administrations in dealing with complex transfer pricing issues. Yet, it also provides guidance for taxpayers in dealing with tax administrations.

The [UN Tax Committee](#) has produced a third edition of the UN Manual, to be published in 2021, which will feature a new chapter of guidance on transfer pricing aspects of financial transactions. Several factors make the transfer pricing aspects of financial transactions an important topic for both tax administrations and taxpayers:

- The significance (in terms of amounts involved and frequency) of these transactions for multinational enterprises (MNE, when referring to a single entity, or MNE Group, in reference to a group of related entities);
- The mobility and fungibility of money, which makes it relatively simple for an MNE to shift debt to group companies and claim an interest deduction. This reduces taxable

profits in the jurisdiction of the borrower and can reduce the MNE Group's overall tax liability, depending on the situation of the group lender;

- The difficulty that tax administrations face in determining the true character and characteristics of certain financial instruments; and
- The concern that excessive interest deductions leave countries vulnerable to tax base erosion.

The **UN Webinar on Transfer Pricing Aspects of Financial Transactions** is a 3.5-hour learning event on transfer pricing aspects of financial transactions, focusing on key policy and administrative considerations. The webinar is designed to:

- Provide an overview with practical examples of the guidance in the new chapter on financial transactions in the 2021 UN Practical Manual on Transfer Pricing for Developing Countries.
- Give practical input on how businesses and tax administrations deal with transfer pricing aspects of financial transactions, the challenges faced and approaches to resolve them.
- Examine the impact of the COVID-19 pandemic on financial transactions between related parties and its consequence for transfer pricing purposes.
- Achieve all of the above with special emphasis on the practicalities for developing countries in their efforts to i) formulate and administer policies on assessing transfer pricing aspects of financial transactions and ii) achieve the Sustainable Development Goals.

UNDESA is organizing the UN Webinar for the benefit of policy makers and tax administrations of developing countries dealing with international cooperation in tax matters. Given the relevance of the topic to stakeholders from all regions and multiple disciplines, the event will be open to the public. Preference will be given to addressing the practical questions shared by developing country officials participating, before and during the webinar.

The UN Webinar will be facilitated by renowned experts in international taxation from different backgrounds, such as international organisations, government representative, civil society, private sector and academia. The instruction methods will include theoretical and practical presentations, including case studies, and open discussions with participants. Please note that the webinar will be recorded for future viewing. For further information about the UN Webinar on Transfer Pricing Aspects of Financial Transactions, please contact the organizing team in FSDO's International Tax and Development Cooperation Branch (ITDCB): Mr. Farid Hasnaoui, Inter-Regional Advisor on Tax Matters, farid.hasnaoui@un.org, and Ms. Ilka Ritter, Economic Affairs Officer, ritter@un.org.

Strengthening UN support to tax policy and capacity development

The Webinar is part of a UNDESA multi-donor project on “Providing effective substantive support to the Committee of Experts on International Cooperation in Tax Matters, its Subcommittees and related capacity development”. Supported by the Norwegian Agency for Development Cooperation (Norad), the project aims to bring about a more inclusive, strategic and effective approach to the work of the Committee, with greater participation by and engagement of developing countries and greater impact at the country level. The project seeks to ensure that international cooperation and policy & practical guidance on tax matters increasingly reflect and respond to the needs of these countries, enabling them to increase domestic resource mobilization and achieve the Sustainable Development Goals (SDGs).

