The Subcommittee on Transfer Pricing was constituted by the Committee of Experts on International Cooperation in Tax Matters at its annual session in 2009.

Mandate:

- Develop a practical manual on transfer pricing, based on the following principles:
 - (a) That it reflects the operation of Article 9 of the United Nations Model Tax Convention, and the Arm's Length Principle embodied in it, and is consistent with relevant Commentaries of the UN Model [i.e. "recommendation" of following the OECD Guidelines].

- (b) That it reflects the realities for developing countries, at their relevant stages of capacity development.
- (c) That special attention should be paid to the experience of other developing countries [i.e. South-South sharing of experiences]; and
- (d) That it draws upon the work being done in other fora.

- There are a number of other guiding principles that have informed this Manual and reflect the mandate of the Subcommittee involved in its drafting, including that:
 - this is a practical manual rather than a legislative model;
 - the drafting should be as simple and clear as the subject matter permits;

- the Manual will be prepared initially in English, but with a recognition that this will not be the first language of most users; it should be translated at least into the other official UN languages;
- a key "value added" of the Manual is to be its practicality - addressing real issues for developing countries (and of course those dealing with the administrations of such countries) in a practical and problem - solving way. It therefore seeks to address the theory of transfer pricing, but in a way that reflects developing country realities in this area;

 the Manual, as a product of the United Nations Committee of Experts on International Cooperation in Tax Matters, has a special role in reflecting the diversity of the United Nations Membership and placing transfer pricing in its developmental perspective. This recognises both the importance to development of fair and effective tax systems, but also the fact that foreign investment, on appropriate terms, is seen as an important path to development by most countries;

 helpful guidance in this complex area must, in particular, be geared to the inevitable limitations in some countries' administrations, and deficits in information and skills that many countries are affected by in this area. Issues of building and retaining capability, focus and efficiency in dealing with limited resources, in particular, bear strongly on the approach taken in the Manual;

 practical examples relevant to developing countries have been especially relied upon, because the experiences of other developing countries in addressing the challenges of transfer pricing are an important way of finding effective solutions that work in their context, and of doing so in the most cost and time effective ways; and

 consistency with the OECD Transfer Guidelines has been sought, as provided for in the Subcommittee's mandate and in accordance with the widespread reliance on those Guidelines by developing as well as developed countries.

- The Subcommittee has been by far the largest in the Committee's history and has benefitted greatly from the breadth and depth of experience of the Members.
- It has met regularly and has worked diligently between meetings to meet its very ambitious mandate.

History of the Subcommittee's work:

- The Subcommittee first met in Kuala Lumpur,
 Malaysia on 16-17 June 2010, a meeting which was hosted by the Inland Revenue Board of Malaysia.
- It's second meeting was held in New Delhi, India, from 2 to 4 February, 2011, hosted by the Indian Ministry of Finance.
- The third meeting was held in Tokyo, Japan, from 27 to 29 September 2011, hosted by the Ministry of Finance of Japan.

- The fourth meeting was held in Johannesburg, South Africa, from 14 to 16 February 2012, hosted by the South African Revenue Service.
- The fifth and final meeting was held in Shanghai, People's Republic of China from 14 to 16 June 2012, hosted by the State Administration of Taxation.
- Since the Shanghai meeting, a great deal of effort has been made to integrate the perspectives of Subcommittee members into the proposed draft.

- The Manual was approved in Tax Committee Annual Session of 15-19 October 2012.
- Documents are at: http://www.un.org/esa/ffd/tax/eighthsession/index.htm

- This Manual is a response to the need, often expressed by developing countries, for clearer guidance on the policy and administrative aspects of applying transfer pricing analysis.
- This Manual is addressed at countries seeking to apply the "arm's length standard" to transfer pricing issues
- Such guidance should not only assist policy makers and administrators in dealing with complex transfer pricing issues, but should also assist taxpayers in their dealings with tax administrations.

Chapters:

- Foreword Philosophy and purpose
- Chapter 1 Introduction
- Chapter 2 The Business Environment
- Chapter 3 The Legal Environment
- Chapter 4 Building Capability
- Chapter 5 Comparability
- Chapter 6 Methods
- Chapter 7 Documentation

- Chapter 8 Audits
- Chapter 9 Dispute Resolution
- Chapter 10 Country Practices
- Appendix I Comparability examples
- Appendix II Documentation
- Country Practices in Chapter 10:
 - Brazil, China, India, South Africa.

- This Manual is conceived as a living work that should be regularly revised and improved, including by the addition of new chapters and additional material of special relevance to developing countries.
- Likely Chapters/ Annexes in the "next edition":
 - Intangibles?
 - Services?
 - Technical Assistance and Capacity Building Resources?

