

Expert Group Meeting on Extractive Industries Taxation – Panel 2, Transfer Pricing

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Transfer pricing & extractives

- Where is transfer pricing relevant to a mining operation ?
- At risk of stating the obvious, only applies to transactions between related parties
- Objective of transfer pricing rules to ensure the correct amount of taxable income in country for the activities carried out and the risks assumed in country



Cross border related party

With a foreign investor what types of cross border related party transactions may arise ?

- cost of finance provided or guaranteed by foreign affiliate
- cost of services supplied by foreign affiliates, in country and outside of country
- cost of capital equipment and raw materials supplied by foreign affiliates
- cost of employees seconded from foreign affiliates
- price paid for production if processed or marketed by foreign affiliates



In country related party

Within country, what types of related party transactions may arise ?

- Value of mineral at mouth of mine for royalty or rent resource tax purposes
 - post mouth of mine processing
 - transportation
 - financing
- Where there is no tax grouping in country, or separate taxation by mine
 - centralised services
 - economic unit



What may most assist developing countries ?

Some suggestions

- Education
 - how relevant mineral sectors work
 - tax policy issues for mineral sector
 - economic forecasting
- Related party transaction information as part of tax return
- An environment that encourages transparency, compliance with clear rules





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