

Tax Newsletter

Timely news and information on national tax issues

Relevant aspects when performing cross-border transactions between related companies



The OECD¹ Transfer Pricing Guidelines (Transfer Pricing Guidelines) are one of the most relevant resources in transfer pricing analysis, providing taxpayers and tax administrations with guidance for the application of methodologies and/or documentation whose purpose is the verification of the arm's length principle.

Given the globalization and expansion of multinational groups, tax administrations have adopted the Transfer Pricing Guidelines in their local legislations, even when their countries are not members of the OECD.

Although these Transfer Pricing Guidelines set a parameter, tax administrations tend to apply specific local regulations. This could result in the need for multinational groups to make additional inquiries and analysis when establishing transfer pricing policies for dealing with cross-border transactions, in order to ensure that the regulatory aspects are met in each of the jurisdictions in which the transaction is being carried out.

1. Organization for Economic Cooperation and Development

Some of the main aspects that must be evaluated and that in practice tend to be the most common are:

- Additional methods: Some jurisdictions may require the application of local methods that are in addition to those included in the Transfer Pricing Guidelines. These may be applicable to specific transactions or transactions in general, prior to resorting to the traditional methods of the Guidelines (for example, the method established in El Salvador in Art 199-B of the Tax Code).

For the use of these methods, it is important to adhere to the local regulations and justify their applicability or rejection, since the preparation of additional documentation (technical support) may be required.

- Comparability adjustments: Some tax administrations may make available to taxpayers specific formulas that improve the comparability between the comparables and the tested party, and additional adjustments may even be allowed (as in the case of El

Salvador with the property, plant and equipment adjustment). This consideration could result in particular differences in the results.

- Filters in the selection of comparables and/or scope of transactions to be analyzed, considering parties located in tax havens.

- Threshold: In certain jurisdictions, there may be a threshold for the amount of the transaction that determines whether the transfer pricing regime applies. Therefore, it is relevant to analyze the impact on both parties.

- Use of specific databases and/or geographical filters.

- Transfer pricing documentation with a specific format or content, in accordance with local guidelines (in El Salvador, DG-001/2018).

- Differences in criteria for the selection of comparables (for example, in interest rates in financial transactions).

It is important that multinational groups consider the particular transfer pricing aspects of each jurisdiction in which they carry out transactions, in order to ensure a satisfactory implementation of policies or transactions between related companies, while **minimizing potential risks.**

More information:




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Tax Calendar

Use our [2024 Tax Calendar](#) to keep informed about:



Tax Obligations before the Tax Office (Ministerio de Hacienda)



Municipal Tax Obligations




Payroll Management Obligations

May 2024

| S | M | T | W | T | F | S |
|----|----|----|----|----|----|----|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | 31 | |

To learn more about **May's** obligations:



Download the 2024 Tax Calendar

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