

OECD authorizes BEPS amendments on transfer pricing regulations



On June 15, the Organization for Economic Co-operation and Development (OECD) announced the approval of amendments to the transfer pricing regulations established in the 2015 report about BEPS 8-10 (Base Erosion and Profit Shifting) actions. These are based on the “Aligning Transfer Pricing Outcomes” and the report on action 13 describing the newly established transfer pricing documentation known as the “three-tiered approach.”

The “three-tiered approach” includes the following essential reports:

- 1. Country by Country (CbC) Report:** The purpose of this report is to provide a global financial landscape of the Business Group operations, which will be used as a risk assessment tool for the tax administration. (Delivering this report will depend on the profitability of the business group).
- 2. Master File:** The Master File is intended to deliver an overview of the Business Group operations, the nature of its global business operations, their general transfer pricing policies, their global strategies for revenue allocation and their economic activities.
- 3. Local File:** This report is meant to provide information and support regarding operations which the local company maintains with related companies abroad, focusing on the structure and context surrounding the transactions.

Multinational Companies will be required to provide this new documentation in the 2016 fiscal period. However, it has been considered that some jurisdictions may require some time to make the necessary adjustments to local regulations; therefore, multinational companies will be granted a period of one year from the fiscal year-end to prepare and deliver their country by country reports. This recommendation means that the preliminary reports must be delivered before December 31, 2017. Multinational companies with fiscal periods ending after this date shall deliver their preliminary reports later in 2018.

Countries involved in the BEPS initiative, including OECD and the G20, plan to introduce changes in local legislation in order to fulfill these requirements on time. Countries such as Mexico, Chile, France, Germany, among others, are already actively working on the proposed changes. On the other hand, the rest of the countries will need to adhere appropriately to the "three-tiered approach."

In the case of Venezuela, the guidelines described above have not been incorporated into the national legislation to date; however, considering that said legislation establishes that anything not covered by the Law shall be subject to the transfer pricing guides for multinational companies and tax administrations, approved by the OECD at the moment of formally incorporating the above requirements in the previously described guides. These requirements will be included in the transfer pricing regime of the Venezuelan legislation.

Considering the above statements, parent companies will now begin the process of requesting additional information to its related companies in Venezuela, based on the new requirements regarding transfer pricing for global assessment processes, in this way seeking to adhere to the recently approved guidelines.

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