CRA Adopts OECD Transfer Pricing Guidelines

At the most recent Annual Conference of the Canadian Tax Foundation, the Canada Revenue Agency disclosed that it will now be following the *OECD 2017 Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations*, and will consider applying them to years prior to 2017.

At their core, the OECD Guidelines are oriented toward ensuring that profits are taxed in the jurisdiction where activities take place and value is created, with less emphasis being placed on the legal form and legal substance of transactions. You can access the full text of the OECD Guidelines at **this link**.

Many Canadian taxpayers use the Comparable Uncontrolled Price method to determine cross-border transfer pricing. The OECD Guidelines essentially require that, in order to compare an (actual) transaction between associated enterprises with a comparable transaction entered into between independent parties, the actual transaction must be first "accurately delineated" in light of "economically significant characteristics," e.g., the conduct of the associated parties, the functions they perform, the assets they actually use and the risks they actually assume.

As a Canadian corporate taxpayer you should review and update your transfer pricing policies and ensure that your documentation of Comparable Uncontrolled Price shows how the actual transactions are accurately delineated as required by the OECD Guidelines in determining what transactions can be considered to be comparable.

Call Vine and Partners for more information at (905) 549-8463.