



Recommendation of the Council on the Determination of Transfer Pricing between Associated Enterprises

**OECD Legal
Instruments**

This document is published under the responsibility of the Secretary-General of the OECD. It reproduces an OECD Legal Instrument and may contain additional material. The opinions expressed and arguments employed in the additional material do not necessarily reflect the official views of OECD Member countries.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

For access to the official and up-to-date texts of OECD Legal Instruments, as well as other related information, please consult the Compendium of OECD Legal Instruments at <http://legalinstruments.oecd.org>.

Please cite this document as:

OECD, *Recommendation of the Council on the Determination of Transfer Pricing between Associated Enterprises*, OECD/LEGAL/0279

Series: OECD Legal Instruments

© OECD 2025

This document is provided free of charge. It may be reproduced and distributed free of charge without requiring any further permissions, as long as it is not altered in any way. It may not be sold.

This document is available in the two OECD official languages (English and French). It may be translated into other languages, as long as the translation is labelled "unofficial translation" and includes the following disclaimer: "This translation has been prepared by [NAME OF TRANSLATION AUTHOR] for informational purpose only and its accuracy cannot be guaranteed by the OECD. The only official versions are the English and French texts available on the OECD website <http://legalinstruments.oecd.org>"

Background Information

The Recommendation on the Determination of Transfer Pricing between Associated Enterprises was adopted by the OECD Council on 13 July 1995 on the proposal of the Committee on Fiscal Affairs. This Recommendation recommends that Adherent's tax administrators follow the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. The Guidelines provide guidance on the application of the "arm's length principle", which is the international consensus on transfer pricing, i.e. on the valuation for tax purposes of cross-border transactions between associated enterprises. In a global economy where multinational enterprises (MNEs) play a prominent role, transfer pricing continues to be high on the agenda of tax administrations and taxpayers alike. Governments need to ensure that the taxable profits of MNEs are not artificially shifted out of their jurisdiction and that the tax base reported by MNEs in their country reflects the economic activity undertaken therein. For taxpayers, it is essential to limit the risks of economic double taxation that may result from a dispute between two countries on the determination of the arm's length remuneration for their cross-border transactions with associated enterprises.

THE COUNCIL,

HAVING REGARD to Article 5(b) of the Convention on the Organisation for Economic Co-operation and Development of 14th December, 1960;

HAVING REGARD to the Declaration on International Investment and Multinational Enterprises and the Guidelines annexed thereto [C(76)99(Final)];

HAVING REGARD to the Declaration on Base Erosion and Profit Shifting (“BEPS”) [C/MIN(2013)22/FINAL] and to the BEPS Explanatory Statement and the measures set out in the BEPS Final Reports (the BEPS package), endorsed by the Council on 1 October 2015 [C(2015)125/REV1] and the G20 Leaders at the Antalya Summit on 15-16 November 2015;

HAVING REGARD to the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, hereafter referred to as “Guidelines” as they may be modified by the Committee on Fiscal Affairs;

HAVING REGARD to the Recommendation of the Council on Base Erosion and Profit Shifting Measures Related to Transfer Pricing [C(2016)79] which recommends that Members and non-Members having adhered to it follow the guidance set out in the 2015 BEPS Reports on Actions 8-10 “Aligning Transfer Pricing Outcomes With Value Creation” [C(2015)125/ADD8] and on Action 13 “Transfer Pricing Documentation and Country-by-Country Reporting” [C(2015)125/ADD11] as incorporated in the Guidelines;

HAVING REGARD to the establishment of the Inclusive Framework on Base Erosion and Profit Shifting as agreed by the Committee on Fiscal Affairs [CTPA/CFA/NOE2(2016)1/REV3], reported to the Council [C/M(2016)3], and endorsed by the G20 Finance Ministers at their 26-27 February 2016 meeting in Shanghai, China, under which over 100 countries and jurisdictions have been invited to participate as members [C(2016)78], i.e. on an equal footing with OECD Members on the basis of the same commitments as OECD Members and existing Associates with regard to the BEPS Project;

CONSIDERING the fundamental need for co-operation among tax administrations to remove the obstacles that international double taxation presents to the free movement of goods, services and capital between jurisdictions;

CONSIDERING the equally fundamental need to effectively prevent double non-taxation as well as no or low taxation resulting from the misapplication of the international standards for transfer pricing rules leading to outcomes in which the allocation of profits is not aligned with the economic activity that produced the profits;

CONSIDERING that transactions between associated enterprises may take place under conditions differing from those taking place between independent enterprises;

CONSIDERING that the prices of such transactions between associated enterprises (usually referred to as transfer pricing) should, nevertheless, for tax purposes be in conformity with those which would be charged between independent enterprises (usually referred to as arm’s length pricing) consistent with Article 9 (paragraph 1) of the OECD Model Tax Convention on Income and on Capital;

CONSIDERING that problems with regard to transfer pricing in international transactions assume special importance in view of the substantial volume of such transactions;

CONSIDERING the need to achieve consistency in the approaches of tax administrations, on the one hand, and of associated enterprises, on the other hand, in the determination of the income and expenses of a company that is part of a Multinational Enterprise Group that should be taken into account within a jurisdiction.

On the proposal of the Committee on Fiscal Affairs:

I. RECOMMENDS that Members and non-Members adhering to this Recommendation (hereafter the “Adherents”):

- i) follow, when reviewing, and if necessary, adjusting transfer pricing between associated enterprises for the purposes of determining taxable income, the Guidelines – considering the whole of the Guidelines and the interaction of the different chapters – for arriving at arm's length pricing for transactions between associated enterprises;
- ii) encourage taxpayers to follow the Guidelines; to that effect Adherents should give the Guidelines publicity and have them translated, where necessary, into their national language(s);
- iii) develop further co-operation, on a bilateral or multilateral basis, in matters pertaining to transfer pricing.

II. INVITES Adherents to notify the Committee on Fiscal Affairs of any modifications to the text of any laws or regulations that are relevant to the determination of transfer pricing or of the introduction of new laws or regulations.

III. INVITES Adherents and the Secretary-General to disseminate this Recommendation and the Guidelines.

IV. INVITES non-Adherents to take due account of and adhere to this Recommendation.

V. INSTRUCTS the Committee on Fiscal Affairs to:

- i) pursue its work on issues pertinent to transfer pricing and modify the Guidelines as necessary;
- ii) monitor the implementation of this Recommendation, in co-operation with the tax authorities of Adherents and with the participation of the business community and other stakeholders and report to Council in light of this monitoring every five years;
- iii) develop its dialogue with jurisdictions that have not adhered to this Recommendation with the aim of assisting them to become familiar with the Guidelines, and to adhere to the present Recommendation.

About the OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD Member countries are: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Legal Instruments

Since the creation of the OECD in 1961, around 460 substantive legal instruments have been developed within its framework. These include OECD Acts (i.e. the Decisions and Recommendations adopted by the OECD Council in accordance with the OECD Convention) and other legal instruments developed within the OECD framework (e.g. Declarations, international agreements).

All substantive OECD legal instruments, whether in force or abrogated, are listed in the online Compendium of OECD Legal Instruments. They are presented in five categories:

- **Decisions** are adopted by Council and are legally binding on all Members except those which abstain at the time of adoption. They set out specific rights and obligations and may contain monitoring mechanisms.
- **Recommendations** are adopted by Council and are not legally binding. They represent a political commitment to the principles they contain and entail an expectation that Adherents will do their best to implement them.
- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.
- **International Agreements** are negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.
- **Arrangement, Understanding and Others:** several other types of substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.