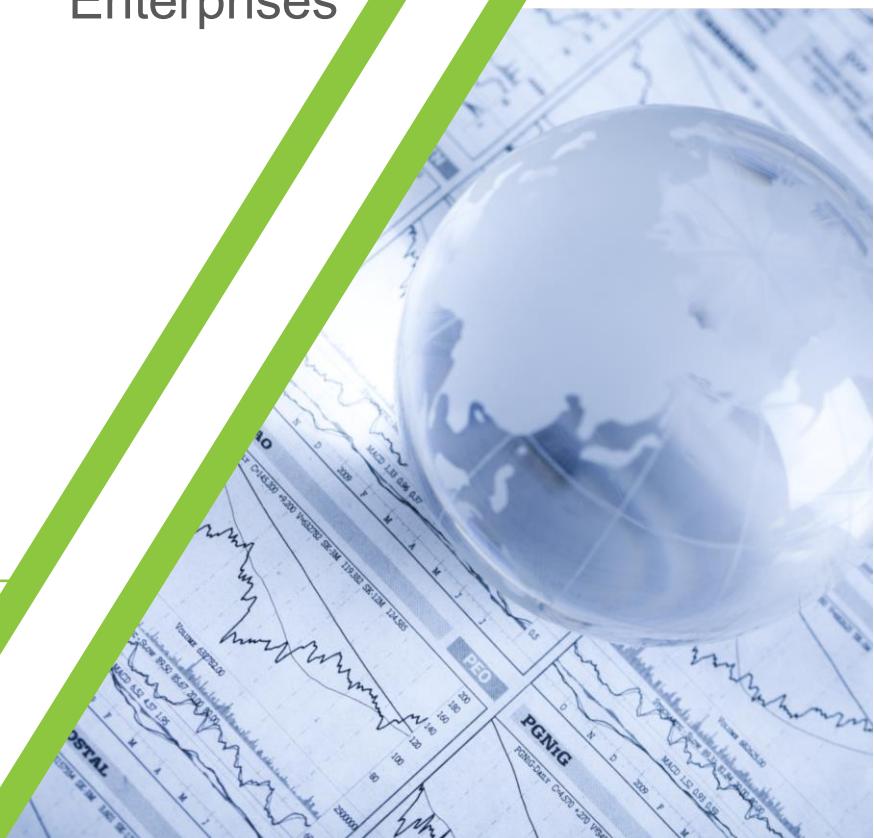




Recommendation of the Council on the Determination of Transfer Pricing between Associated Enterprises



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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 OECD Committee on Fiscal Affairs (CFA). The Recommendation seeks consistency in determining the income and expenses of MNEs that should be taken into account within a jurisdiction.

OECD's work on transfer pricing

In a global economy where multinational enterprises (MNEs) play a prominent role, transfer pricing continues to be high on the international tax agenda. Governments need to ensure that the taxable profits of MNEs are not artificially shifted out of their jurisdictions 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 pricing of their cross-border intra-group transactions.

The arm's length principle, as set out in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the Guidelines), is the OECD's core principle for determining transfer pricing between associated enterprises, aiming at eliminating double taxation. The Guidelines were approved by the OECD Council in their original version in 1995 and have been updated multiple times since.

Scope of the Recommendation

Adherents to the Recommendation are recommended to follow the Guidelines, when reviewing, and if necessary, adjusting transfer pricing between associated enterprises for the purposes of determining taxable income. The Guidelines address the application of the arm's length principle for pricing cross-border transactions between associated enterprises.

The Recommendation also extends an invitation to non-Adherents to take due account and adhere to the Recommendation and the corresponding instruction to the OECD Committee on Fiscal Affairs to 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 request adherence to the present Recommendation.

Next steps

Following the invitation in the Recommendation, the OECD Secretary-General will continue to undertake extensive actions to disseminate the Recommendation and the Guidelines, including through an active communication strategy and enhanced co-operation with regional tax administration associations to dialogue on technical transfer pricing issues. Adherents, on their end, are committed to the dissemination of the Recommendation and the Guidelines by, among other means, reflecting the existence of the Guidelines in their domestic legislation, translating them to their local language or taking an active role in the OECD's capacity building programmes to share their knowledge and experience regarding the application of the Guidelines.

Finally, the declassification of the "Report on the Implementation of the OECD Recommendation on the Determination of Transfer Pricing between Associated Enterprises" provides Adherents and the Secretary-General a valuable tool to enhance the visibility and public awareness on the state of implementation and relevance of the Recommendation and the Guidelines, as well as the benefits from aligning transfer pricing rules to the Guidelines.

For further information please consult: <https://www.oecd.org/en/topics/transfer-pricing.html>.

Contact information: Queries should be directed to [Communications Office](#) of the OECD Centre for Tax Policy and Administration (ctp.communications@oecd.org).

Implementation

2025 Report to Council

In 2025, a [report](#) on the dissemination, implementation, and continued relevance of the Recommendation was presented to the Council for the period 2017-2024.

The 2025 Report concluded that Adherents have effectively implemented the Recommendation. In particular, the 2025 Report describes the substantial and continued efforts by Adherents to incorporate the arm's length principle and the Guidelines in their transfer pricing systems to ensure that tax administrations and taxpayers follow the Guidelines. The Report also concludes that the Secretary-General and Adherents have effectively disseminated the Recommendation, and describes the comprehensive efforts undertaken to this end, highlighting the importance of continuing these efforts to further broaden such dissemination (see above).

With regards to non-Adherents, the 2025 Report shows that the OECD Committee on Fiscal Affairs has made significant efforts to either engage or strengthen the dialogue with non-Adherents on transfer pricing issues, which have contributed to expand the adoption of the arm's length principle by non-Adherents and a broader use of the Guidelines. Finally, the 2025 Report concludes that the Recommendation and the Guidelines have been and continue to be of great relevance to Adherents and non-Adherents to preserve an allocation of profits between jurisdictions consistent with the arm's length principle.

Implementation and dissemination efforts and challenges and opportunities will continue to be assessed and reported on to Council, as well as views on the continued relevance of the Recommendation. The OECD Committee on Fiscal Affairs will continue to support Adherents in their implementation and dissemination efforts and to foster the dialogue with non-Adherents.

The next reporting to Council is scheduled to take place in 2030.

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.

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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:

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- **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.
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