



New Transfer Pricing Recommendations by OECD: are you ready?

On 11 February 2020, the Organization for Economic Cooperation and Development ("OECD") issued the final version of the report **Transfer Pricing Guidance on Financial Transactions** ("Report"). This Report was prepared as a part of Actions 4, 8-10 under the Base Erosion and Profit Shifting project (BEPS). The document evaluates the following issues:

- delineating the transaction (determination);
- intra-group lending;
- cash pooling;
- hedging;
- guarantees;
- captive insurance.

Why is it important to you?

This paper will form Chapter X of the Transfer pricing OECD Guidelines. It is expected that many tax authorities will follow the recommendations and innovations of the OECD, and among others by introducing new provisions on pricing financial transactions into local legislation.

State Revenue Committee of Kazakhstan are also planning to strengthen TP control with regards to the financial transactions. Currently, tax authorities are busy developing certain methodology on TP rules for pricing intra-group loans. The methodology will include define the general principles for conducting benchmarking study analysis. In particular, these principles will contain the following:

- credit rating calculation;
- currency adjustment;
- priority in selecting a source of information;
- other characteristics.

Given the above, we recommend to pay attention whether your intra-group interest rates comply with market rates, in the light of increased attention of tax authorities to this issue.

Contacts

Michael Ahern

Partner, Tax and Legal services

michael.ahern@pwc.com

Timur Zhursunov

Partner, Tax and Legal services

timur.zhursunov@pwc.com

Nursultan Nurbayev

Senior manager, Tax services

nursultan.nurbayev@pwc.com

Ben Pietersen

Senior manager, Tax services

ben.pietersen@pwc.com

If you are interested in an additional information, please contact PwC team members servicing your company, or any person above.