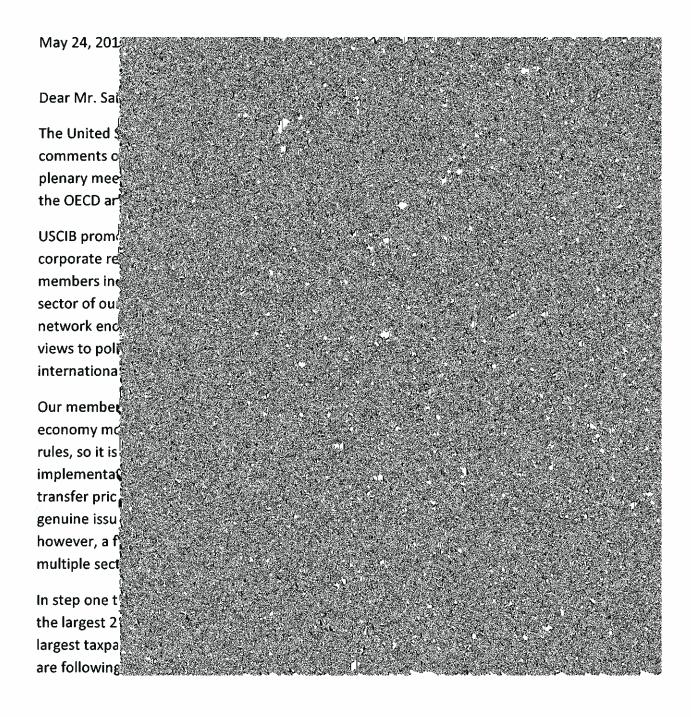


## UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

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reduced their tax burden. Another on gross income may be more approx to be the focus of more sustained it.

Also in step one the second box setrates, management fees and service making. There are disclaimers that exploration. The members of USCIL the numerical thresholds as unsafe fees or service fees exceed these th way to address this concern; however that transfer pricing requires careful returns do not accurately reflect an

The third box raises as a risk factor of this ought to also be taken into accesimilar tax rates, then the risk of pro-

The section on additional analyses ( largest MNEs and suggests information point along the following lines:

Any global standard transfer affecting the jurisdiction, e.g. consistent allocation keys fo

As discussed below, companies with

Under step 1 for FDI companies, onmay over comply in jurisdictions that usually dealing with multiple jurisdiction place. This typical arrangement do expense of another jurisdiction becar consistently worldwide. The existent tax planning with respect to transact

The second bullet in the section on established that significant transact sector, or a small number of sectors transfer pricing rules to that sector.



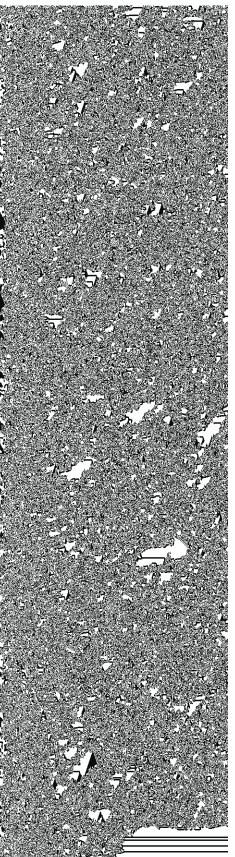
emphasis in step 1 on numerical standards will push industricated these categories inappropriately. To mitigate this risk, we sull lines of the following after the first sentence of the second by

Care must be taken in identifying particular sectors be industries vary significantly. Thus, companies in som appear high (and that are higher than the figures in sthat industry. These companies and industries do no transfer pricing risk.

The sixth box of step 3 provides that "it will be necessary to impose penalties where a) inadequate documentation is mat their transfer pricing wrong." It is inappropriate to impose p due. The issue of documentation is a very sensitive one. The countries in the documentation that is required. Taxpayers the differing and onerous documentation rules and should n documentation failure that does not result in underpayment

The third category, building skills, under Step 3 discusses the auditors. Training auditors is critical to implementing a trans important to emphasize that functional analysis is not just a but is an integral part of understanding business taking place coupled with training on the economics of key industries included to the standard s

USCIB would also like to raise three issues that are not dealt tool. First, the assessment tool should provide some caution taxation. There is very little in the document that suggests the aggressively pursuing transfer pricing cases. Taxpayers are on legally owed in the countries where they do business. Howe that transfer pricing is not a precise science and that there is Aggressively pursuing transfer pricing adjustments that result discourage foreign direct investment. A corollary of this point taxation may arise not only from aggressive enforcement, but importantly, from rules that deviate from global norms. Busing certainty with respect to its tax obligations. Countries that fallikely see reduced FDI over the long term.



The risk of double taxation leads to the second issue, the assessment tool should emphasize that implementation of transfer pricing regimes should go hand-in-hand with developing a treaty network that can assist in resolving transfer pricing cases (and other issues arising in the area of cross-border taxation).

Finally, the assessment and implementation tool should suggest the coordination of tax rules with other rules. For example, if the transfer pricing rules would permit the payment of a royalty or management fee, other rules (such as bank clearance requirements) should not prohibit that payment.

We look forward to continuing to work on refining the transfer pricing needs assessment and implementation tool.

Sincerely,

William J. Sample

Chair, Taxation Committee

United States Council for International Business (USCIB)

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