

Transfer Pricing Policy template sample

Below is a table of contents of a Transfer Pricing policy template sample. The template is generated with our software solution TPGenie Basic.

1. Abbreviations

2. Definitions (Clearly define key terms used in the policy, such as "related entities," "controlled transactions," "arm's length," etc.)

- Transfer Pricing: Transfer pricing refers to the pricing of goods, services, intangible assets, or financial transactions between related entities within the organization.
- Arm's Length Principle: The arm's length principle requires that transfer prices should be set as if the transactions were conducted between unrelated parties under similar circumstances.
- Related Entities: Related entities include subsidiaries, branches, joint ventures, or any other entities under common control or ownership.

3. Introduction

- Scope and Purpose of the Policy
- Purpose example: The purpose of this Transfer Pricing Policy is to establish guidelines and procedures for determining and documenting appropriate transfer prices for transactions between related entities within the organization. This policy aims to ensure compliance with applicable transfer pricing regulations and promote transparency and consistency in transfer pricing practices.
- Scope example: This policy applies to all subsidiaries, branches, and related entities within the organization engaged in cross-border transactions, including the transfer of tangible goods, intangible assets, services, and financing arrangements.

4. Group of Companies Information

- Overview of the Group
- Ownership and Control
- Geographical Presence
- Principal Business Activities
- Intercompany Transactions

5. Guiding Principles

- Compliance with Local Regulations - The organization will comply with all relevant transfer pricing laws, regulations, and guidelines of the jurisdictions in which it operates.
- Transfer Pricing team – The team will monitor changes in transfer pricing regulations and ensure the policy remains in line with legal requirements. They must ensure that the documentation is complete, accurate, and available upon request by tax authorities or other relevant stakeholders.
- Arm's Length Principle - All intercompany transactions must be conducted at arm's length principle. Specific arm's length methods must be selected and explained.
- Documentation and Reporting - The organization will maintain contemporaneous transfer pricing documentation in compliance with the applicable regulations.

6. Transfer Pricing Methodology

- Transfer Pricing team must analyse the functions, assets, and risks of the related entities involved in the transaction to select the most appropriate transfer pricing method.

- The selection of the transfer pricing method will be documented and supported by relevant data and analysis.
- Any changes in transfer pricing policies or methodologies will be documented and supported by appropriate analysis.
- Selection of Appropriate Transfer Pricing Methods is essential:
 - Comparable Uncontrolled Price (CUP) Method
 - Resale Price Method (RPM)
 - Cost Plus Method (CPM)
 - Transactional Net Margin Method (TNMM)
 - Profit Split Method (PSM)
 - Other Methods (if applicable)

7. Determination of Arm's Length Range

- Arm's length range will be determined by using:
 - Benchmarking
 - Comparable Data Sources
 - Arm's Length Range Calculation
 - Use of Multiple-Year Data (if applicable)

8. Intra-Group Services

- Intra group services will be explained through:
 - Definition of Intra-Group Services
 - Documentation Requirements
 - Pricing Methodology for Intra-Group Services

9. Intangible Property

- Intangible property applications and assets will be explained by highlighting the:
 - Transfer of Intangibles
 - Licensing of Intangibles
 - Valuation of Intangibles
 - Documentation Requirements

10. Cost Sharing Arrangements (if applicable)

- The cost sharing arrangements of the group will be explained through:
 - Description of Cost Sharing Arrangements
 - Contributions and Allocations
 - Reporting and Documentation

11. Advance Pricing Agreements (APAs) (if applicable)

- The APAs will be explained through:
 - Overview of APAs
 - Pros and Cons of APAs
 - Process for Seeking APAs

12. Documentation and Reporting

- Transfer pricing documentation need to be done in compliance with the applicable regulations.
- This documentation will include relevant financial data, functional analysis, comparability analysis, and any other information necessary to support the arm's length nature of the transfer prices.
- These documents will include:
 - Country-by-Country Reporting (CbCR)
 - Master File and Local File Requirements
 - Deadline for Documentation Preparation
 - Record Keeping

13. Compliance and Risk Management

- Training - The organization will provide training and guidance to relevant employees involved in intercompany transactions to ensure their understanding of transfer pricing principles and compliance with the policy. New employees who may be involved in intercompany transactions will receive training on transfer pricing practices and policy as part of their onboarding process.
- Disciplinary actions - Non-compliance with this Transfer Pricing Policy may result in disciplinary actions, including but not limited to retraining, suspension, or termination, as per the organization's disciplinary procedures.
- Ethical reporting - Employees who suspect or become aware of any potential violations or irregularities relating to transfer pricing are encouraged to report such concerns through the organization's established channels for reporting ethical or compliance issues.

14. Review and Update

- Ongoing compliance - The Transfer Pricing team or designated personnel will conduct periodic reviews of the organization's transfer pricing policies and practices to ensure ongoing compliance and identify any necessary adjustments.
- Consultants - The organization may engage external experts or consultants to perform independent transfer pricing reviews or audits as deemed necessary.