

Technical Committee on Customs Valuation approves a new case study on transfer pricing

The objective of both income tax transfer pricing rules and customs related-party valuation rules is the same - arriving at arm's-length prices - while the rules are different. As a result, customs authorities worldwide have struggled with whether and how documentation prepared to support income tax transfer pricing may be considered to support customs valuation. In the case where the importers purchase from related parties, special rules apply in order to use transaction value.

In this article, the circumstances for applying transaction value method are stated and Case Study 14.2 explains the related reasons for which an importer may not implement this method. Moreover, it points out to the cautions for the importers and gives clear guidance on the compensating adjustment which should be made if the net profit margin exceeds the benchmarked range.

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