

Small and Medium Sized Enterprises (SMEs) and Transfer Pricing

Business Members contribution

Brussels, 8 June 2010

Introduction

- No distinction in OECD Guidelines between MNEs and SMEs for TP.
 - Economic and human costs to comply with the arm's length principle for SMEs.
 - Larger costs for Tax Administration in relation to SMEs tax audits relatively to the size of the company / amounts at stake.
- =) Considering an overall approach for SMEs dealing with TP issues ?

2. Lack of common definition of SMEs in EU

- Various approaches existing in EU States to take into consideration the size of companies: new distortions within the EU Single Market.
- Different SMEs definition for purposes:
 - Tax exemptions;
 - Simplified tax return modalities;
 - TP documentation;
 - Simplified accounting systems;
 - Simplified APA procedure.

3. A similar treatment of SMEs in TP matters possible in EU?

- Use of a common definition.
- The EU 2003 recommendation as criteria.
- Companies with less than 250 persons **and** annual turnover not exceeding 50 million euro **or** annual balance sheet total not exceeding 43 million euro.

4. Considering specific TP recommendations for SMEs

- **Before a tax audit:**
 - Development of specific guidance on TP for SMEs without deviation from OECD Guidelines ?
 - Simplified APA for SMEs ?
 - Simplified TP documentation standard for SMEs ?

4. Considering specific TP recommendations for SMEs

- **During a tax audit:**
 - Simplified procedure for TP tax audit of SMEs ?

- **After a tax audit:**
 - Simplified MAP to eliminate TP double taxation for SMEs ?

5. Conclusion

- Aligning with the general trend within the EU to relieve SMEs from disproportionate burdens, MS may considerer to discuss in the Forum some or all of the above-listed measures.
- To avoid discriminatory treatment between MNEs and SMEs.