



Federation of European Accountants
Fédération des Experts comptables Européens

Transfer Pricing for SMEs

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TP for SMEs –A topic worthwhile looking at ?

- TP the most important issue for MNEs
- is it a real problem for SMEs ?
- need to take a closer look:
 - SMEs are different from MNEs
 - Traditional TP methodology might often not be appropriate for SMEs
 - What could be done ?



SMEs – a diverse group

- Backbone of the EU economy
 - o more than 95% of enterprises in EU
 - o but: only 8% of SMEs participate in IM
- differ in size / activities / needs / resources
- no „one size fits all“ approach possible



What is so special about SMEs ?

- closely held & owner-managed
- often not incorporated (e.g. partnerships)
- Transactions between SME and its owners
- less sophisticated tax planning
- often in niche markets / innovative products
 - volatile profits
- engage in fewer X-border activities (but depending on location)



What is different for SMEs ?

- less awareness for TP
- relatively high compliance cost when engaged in X-border activities
- frequently unincorporated (partnerships)
- informal links and affiliations



Traditional TP methods are likely to fail for SMEs

- centralised entrepreneurial functions (strategy, financing, investments, key client contacts) exercised by the owners
- less transparent cost structure
 - Simplified accounting requirements
 - Shift between capital income / labour income?



Traditional TP methods are likely to fail

- Family-owned businesses take long-term view → Flexible financing arrangements
- key assets (e.g. know-how, customer relationships, fixed assets) could be held by the owners separate from the business



Can SMEs be treated differently for TP purposes ?

- OECD Guidelines do not distinguish
 - apply the same principles than to MNEs but a different approach ?
 - or: use different methodology ?
- in other areas MS provide special rules for SMEs (e.g. accounting, financial reporting and auditing, competition law, labour law ...)



How to make life easier for SMEs?

- relaxed documentation requirements
- Streamlined auditing
- Simplified CA procedure
- Arbitration usually not an option for SMEs
- APA: too complex – lack of comparables
- Safe haven rules



How to make life easier for SMEs?

- Commission proposals
 - Home State Taxation ?
 - CCCTB ?

- need to create trust
 - between tax administration and SME taxpayers
 - between tax administrations



How to make life easier for SMEs?

keep it simple !

