

Localized Transfer Pricing Compliance: Understanding Country-Specific Documentation Requirements

Ivonne Pinzon

September 25, 2025



Exactera

Today's Presenter

Ivonne Pinzon

Transfer Pricing Senior Manager

- With more than 16 years of experience in transfer pricing, including planning, restructuring, and compliance with global documentation, most of this tenure was spent at Big Four.
- Collaborate with international tax practices worldwide to identify direct and indirect tax consequences while developing and implementing Business Model Optimization projects.
- Serve clients across diverse industries, with a primary focus on Technology, Freight Forwarding, Telecommunications, Retail, Chemicals, and Financial Services



Exactera



Global Tax Solutions

About Exactera

Providing strategic transfer pricing solutions for multinational enterprises

Helping organizations navigate complex global tax compliance requirements

Partnering with clients to develop sustainable and defensible transfer pricing strategies

Exactera

Learning objectives



Get a glimpse of today's transfer pricing landscape

Navigate the evolving global tax environment shaped by BEPS and country-specific implementations.



Understand global compliance expectations

Learn what tax authorities worldwide expect in terms of documentation, substance, and transparency.



Discover jurisdiction-specific requirements

Explore how documentation requirements vary across countries and how they compare to OECD guidelines.

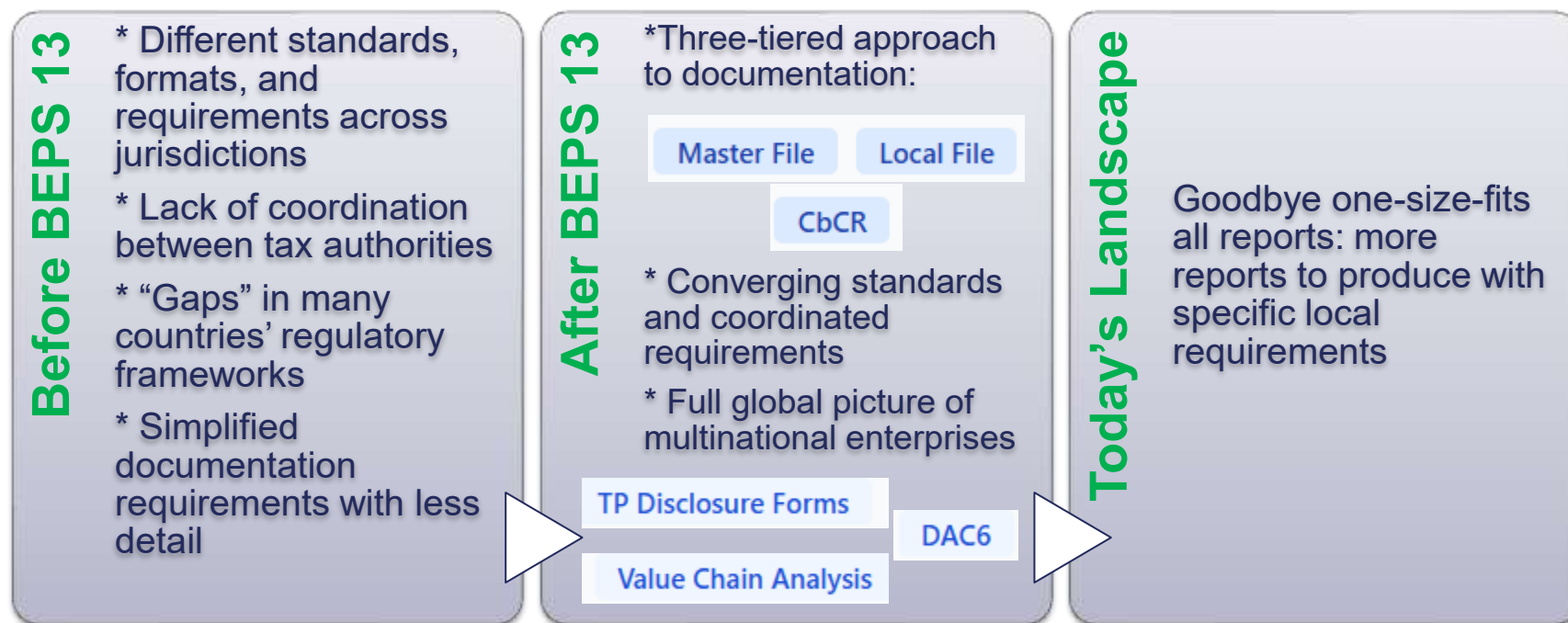


Learn best practices for compliance

Master documentation strategies that help you comply in any country while minimizing risk exposure.

Transfer Pricing Compliance: Before & After BEPS 13

The evolution from fragmented to coordinated global standards



Core Principles Remained Constant:

- Taxpayers should be compliant with the arm’s length principle, pricing transactions at market value.
- Taxpayers should be compliant with formal transfer pricing documentation

OECD BEPS Action 13: Framework for Transfer Pricing Compliance

- The Base Erosion and Profit Shifting (BEPS) project.
 - ✓ Launched in 2013, the project's 15 actions were designed to combat tax avoidance strategies that exploit gaps in international tax rules.
 - ✓ BEPS shifted the focus from a purely legalistic interpretation of transactions to a substance-over-form approach.
 - Aligning Profits with Value Creation: BEPS Actions 8-10 require that transfer prices align with where economic value is actually created, based on the development, enhancement, maintenance, protection, and exploitation (DEMPE) functions of a business.
 - The Three-Tier Documentation: BEPS Action 13 aim at increasing transparency for tax administrations while also standardizing compliance for multinational enterprises (MNEs).

Master File

Purpose: Provide a blueprint of the group.

- Group structure & global overview
- Intangibles and financing arrangements
- Group transfer pricing policies.
- Consolidated financials and TP policies

Local File

Purpose: Support the arm's length nature of local transactions.

- Detailed local entity information
- Intercompany transactions
- Functional analysis, benchmarks
- Financial information of the local entity

Country-by-Country Report (CbCR)

Purpose: High-level risk assessment tool for tax authorities

- High-level tax & financial data
- Revenues, profits, taxes, employees per jurisdiction
- List of all entities and their main activities.
- Risk assessment tool

Poll Question #1

Which element of the three-tiered approach do you find most resource-intensive for your company?

- A. Master File
- B. Local File
- C. CbCR
- D. All of the above



The OECD's BEPS project is still being implemented worldwide. Countries are refining their rules on a rolling basis

Using a generic, "one-size-fits-all" approach to transfer pricing documentation is no longer a viable strategy for multinational companies

Today's Landscape: The Devil Is In The Details



Substance Over Form

Tax authorities look beyond legal contracts and structures to see where real economic activities and value are created.



"One-Size-Fits-All" Approach Fails

Regulations differ by country; standardized documentation for all jurisdictions is no longer defensible.



Varying Requirements

Documentation, comparable benchmarks, and economic analysis requirements differ significantly by country.



Mandatory Compliance Process

Transfer pricing documents must be prepared and submitted as part of regular tax filings, with complex staggered deadlines throughout the year.



Sophisticated Tax Authorities

Authorities are more technologically advanced and collaborative, using data analytics to identify tax position risk.



Targeted Audits

Automatic exchange of information gives authorities a global view of finances, allowing them to spot inconsistencies and launch risk-based audits.

Why Localization Matters: One-size-fits-all doesn't work



Beyond the OECD Framework

While the OECD's BEPS framework provides a global template, it is not a uniform law. Each country has implemented the recommendations into its own domestic legislation, creating unique requirements.



The Risks of Generic Documentation

A global "template" file rarely meets all local compliance standards. Failure to localize can lead to penalties, audit exposure, or rejection of documentation.

Common Pain Points:



Thresholds

Filing requirements vary based on revenue, transaction values, or entity type across different jurisdictions.



Language

Some countries only accept filings in the local language (e.g., Spanish in Mexico, Polish in Poland).



Format

Mandatory electronic submissions, structured forms, XML schemas, or specific narrative formats differ widely between countries.

Poll Question #2

On a scale of 1-5 how would you rate your organization's readiness for country-specific transfer pricing documentation requirements?

1. Not ready
2. Beginning to prepare
3. Partially ready
4. Mostly ready
5. Fully prepared



Localization in Practice: The First Hurdle - Thresholds

1. The Global CbC Reporting Threshold

BEPS Action 13 framework recommends a standard **€750 million** consolidated group revenue threshold for filing a CbCR. This is a widely adopted standard.

 **France, United Kingdom, Hong Kong:** Aligns with the OECD's €750 million consolidated revenue threshold for CbC reporting.

 **China:** The threshold is **RMB 5.5 billion**, which is the local currency equivalent of approximately €750 million. This shows a direct adoption of the global standard in local currency.

 **United States:** The U.S. has a threshold of **\$850 million** for CbC reporting. This amount was originally set to be roughly equivalent to €750 million at the time the legislation was drafted, but the fixed amount is now different due to exchange rate changes.

 **Brazil:** MNEs with an ultimate parent entity (UPE) resident in Brazil is **BRL 2.26 billion**; local currency equivalent of €750 million. The threshold for MNEs with a foreign UPE is set at the standard €750 million.

Localization in Practice: The First Hurdle - Thresholds (cont.)

2. Master File Thresholds: Local deviations

While the OECD recommends a threshold of €750 million in consolidated group revenue, some countries implemented their own requirements.

- 🚩 **Netherlands:** Group revenues $\geq$ €50 million. (significantly lower than OECD)
- 🚩 **China:** MNE with annual related-party transactions exceeding RMB 1 billion (approximately €130 million).
- 🚩 **Japan:** Consolidated revenue $\geq$ JPY 100 billion (approximately €640 million).
- 🚩 **Ireland:** Consolidated revenue $\geq$ €250 million.
- 🚩 **Indonesia:** if, during the previous year, one or more of the following is reached
 - Gross revenue is above IDR 50 billion
 - Tangible goods of affiliated party transactions are above IDR 20 billion
 - Any class of non-tangible goods related to party transactions above IDR 5 billion
 - Or, if any of the related party transactions were with a tax jurisdiction, with a tax rate lower than the Indonesian corporate tax rate of 25%, in the current fiscal year.



Localization in Practice: The First Hurdle - Thresholds (cont.)

3. Local File Thresholds: Even More Variation

This is where the most significant differences appear. Many countries require detailed local documentation at much lower revenue or transaction thresholds than the global CbC standard.

- 🚩 **France:** The threshold for mandatory local documentation €150 million in annual revenue or gross assets.
- 🚩 **China:** Multiple thresholds based on the type of transaction: **RMB 40 million** (approximately €5.5 million) for annual related-party transactions or **RMB 200 million** (approximately €27.5 million) for single transaction types.
- 🚩 **India:** Relatively low threshold of **INR 10 million** (approximately €110,000) or **INR 200 million** for domestic transactions.



Key Insight

Companies can easily fall below the global CbC reporting threshold but still be legally obligated to prepare detailed transfer pricing documentation in countries where they operate.

Local thresholds can be as low as €110,000 — a fraction of the €750M global standard

Format: Beyond the Basics

Format and filing requirements for transfer pricing documentation can be just as crucial as the content itself. A perfectly-prepared document may be deemed non-compliant and subject to penalties if it doesn't adhere to a country's specific rules on how it's structured and submitted.

No universal standard

 **Narrative Reports:** Word/PDF accepted (e.g., US, UK, Argentina)

 **Electronic Forms:** XML/structured schema required (e.g., Spain, Poland, Colombia)

 **Portal Uploads:** Online government platforms with specific fields (e.g., Mexico)

 **Hybrid Requirements:** Narrative + e-filing (e.g., Italy, Colombia)

Country Spotlight: Ecuador

! Ecuador requires transfer pricing documentation but follows its own statutory outline, diverging from OECD standard.

Why This Matters

A document that perfectly follows OECD guidelines may be deemed non-compliant in jurisdictions with unique format requirements.

Language Requirements: The Need for Translation



English Not Always Sufficient

While a Master File prepared in English is often acceptable, the same is not true for local documentation. Tax authorities want to review documents in their native language to ensure full comprehension.



Latin American Requirements

Across Latin America, taxpayers must submit transfer pricing documentation in Spanish, with Brazil being the notable exception requiring Portuguese.



Brazil's Approach

Brazil's 2024 transfer pricing rules require the Local File in Portuguese, conforming to specific content and format rules. Master Files can be in English or Spanish but translations may be requested.



China's Strict Requirement

The Local File must be prepared in Chinese. This is not a preference but a legal requirement with no exceptions for multinational enterprises.



Germany's Translation Timeline

German authorities may initially accept English documentation but can demand German translations within 30 days. Failure to provide translations can result in penalties or loss of procedural defense.



Additional Requirements

Poland requires all TP documentation in Polish. Many other jurisdictions have similar local language requirements that must be strictly followed to avoid compliance issues.

Comparables: OECD vs Local Deviations

OECD Guidance → the global standard for international tax, do not mandate the exclusive use of local comparables. Instead, they operate on the principle of the most reliable information available.

- Local comparables preferred, but regional or global sets may be acceptable, if justified.
- Despite the OECD's guidelines, several countries have implemented their own, often more prescriptive, rules on comparables.
- Country-specific deviations create compliance challenges for multinational enterprises.

Brazil

Recently shifted toward OECD-aligned system, but still shows strong preference for local comparables. Historically used a rigid, formula-based system with pre-determined profit margins.

India

Known for strict and aggressive approach. Tax authorities historically insist on Indian comparables for benchmarking. Applies narrow interquartile range concept to determine arm's length compliance.

Spain

Largely OECD-compliant, but auditors tend to prefer local comparables when available. Pan-European studies may be accepted but face heightened scrutiny.

Ranges & Adjustments: Your Range, Their Adjustment

The arm's length range is the central benchmark for transfer pricing compliance, but its calculation is where the principle of localization truly comes into play.

- **Full range vs Interquartile Range (IQR)**
Spain / France / Mexico → Authorities insist on using the interquartile range, rarely accept the full range
- **Country-Specific Approaches**
India's Rule 10CA: IQR only when ≥ 6 comparables available, using weighted averages for 35th-65th percentiles

 **Adjustments**
Year-end true-ups allowed in some jurisdictions but rejected in others. If outside the IQR, median often used for adjustment in many countries.

Poll Question #3

Has your organization ever faced a challenge with a local tax authority that stemmed from a specific language or format requirement?

- A. Yes
- B. No
- C. I am not sure



What Makes a Good Local File?

When preparing or reviewing a Local File, take a step back and consider these key questions:

- **Compliance completeness:** Has all information required by local law been included?
- **Documented rationale:** Clear understanding of why certain information was excluded
- **Relevance:** Does information support functions, risks, and assets of the intercompany transactions?
- **Transaction clarity:** Clear understanding of intercompany data and functional profiles
- **Internal comparables:** Consider available internal CUPs before external analysis
- **Third-party comprehension:** Would information be clear enough for outside reviewers?



Use transfer pricing policy as a last resort when analyzing transactions

TP Documentation

- ☒ Compliance requirements
- ☒ Data consistency
- ☒ Functional analysis
- ☒ Transaction mapping
- ☒ Risk assessment
- ☐ Local benchmarking

Best Practices



Centralized Data Repository

Maintain consistent data across all documentation to prevent inconsistencies that auditors flag as red flags.



Track Deadlines Centrally

Monitor diverse filing dates across jurisdictions with a centralized calendar system to avoid missed deadlines.



Translate Strategically

Plan translations ahead rather than rushing at submission deadlines, ensuring quality and accuracy.



Run Year-End Adjustments

Where allowed by law, implement year-end true-ups to align actual results with target margins.



Leverage Technology

Use specialized software to automate repetitive tasks, manage deadlines, and ensure documentation consistency.



Track Local Deviations

Maintain a database of country-specific requirements that deviate from the OECD standards.



Internal Audits

Regularly test your documentation against tax authority review criteria to identify and fix gaps.

Compliance is a continuous process, not a one-time event. The most successful teams treat it as a core part of their risk management strategy

Poll Question #4

What is the single biggest transfer pricing compliance challenge your organization will focus on in the next year?

- A. Managing evolving regulations
- B. Standardizing documentation
- C. Dealing with tax authority audits
- D. Training internal teams



The era of a "one-size-fits-all" approach to transfer pricing is over; compliance now requires a proactive, substance-based strategy that navigates the complex and constantly evolving localized rules to mitigate significant audit and penalty risks

Thank You