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**ABS Submission**

*Context*

- 1 Official Statistics produced by the Australian Bureau of Statistics (ABS) will be impacted by the 'Review of transfer pricing rules for the cross border allocation of pricing rules'.
- 2 Of key interest to the ABS is maintaining high quality Balance of Payments and National Accounts statistics. In particular the 'arms length transactional pricing' principle is an important determinant of profit distribution.

*ABS view*

- 3 To meet the ABS objective of producing high quality statistics the ABS supports:
  - i. the profit distribution principle; and
  - ii. the application of arm's length transactional pricing.
- 4 Both of these are necessary for high quality statistics that are based on market valuation.
- 5 Some specific worked examples to support the ABS view are attached in appendix 1

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## Appendix 1: Worked examples supporting the ABS view

### Paragraph 35

In considering profits, there is a need to consider the individual transactions. By way of example:

- if a particular expense (e.g. R&D) received a tax concession and the expense is recorded net of the concession;
- the company could include 1.5 times the value as an expense in its tax return; and
- this may lead to results that are not suitable for the compilation of the National Accounts and Balance of Payments statistics.

In principle there is a need to consider the full set of transactions (both income and expenses) to assign the correct allocation.

### Paragraphs 44-47

The discussion of the OECD manual needs to be clear about the purpose of the review. Is it statistical, tax related or some other purpose? It is not advisable to assume they are all the same.

### Paragraphs 72-70

The ABS requirement is a market (transactional) valuation for all transactions and positions. Anything other than this valuation, such as 'arms length' is a pragmatic compromise.

The ABS is concerned that these paragraphs will mean that the market valuation will be overwritten by a tax office determined value which may bear no relation to the transactional valuation. If this occurs additional processing will be necessary to assure the quality of the compilation of National Accounts and Balance of Payments statistics statistical releases.

### Paragraphs 99-104

The discussion of the amendment rules means businesses could revise their data for up to eight years. The ABS is not supportive of an eight year window plus the impact of subsequent audits / compliance. The impact for ABS statistics is that the time series could significantly change up to eight years after the event. Current ABS experience is that statistically significant revisions are made where an eight year window is available.

### Paragraph 105+

In considering the treatment of tax obligations where there is a tax treaty in place. It is unclear how these transactions are reported in the respective countries financial outcomes.

If the tax is acquitted via a treaty the classification of the transaction (income write off etc) is unclear and there is no corresponding transfer in the other countries reported financial outcome.