

## Transfer Pricing statistics

The UK's Transfer Pricing rules<sup>1</sup> set out how the pricing of transactions between connected parties is dealt with for tax purposes and, in common with most other countries, is based on the internationally recognised 'arm's length principle'.

The 2006 Review of Links with Large Business identified that speed of resolution of transfer pricing issues was a major concern for HMRC's large business customers.

Following a public consultation, we announced in October 2007 in the document "[Making a difference: clarity and certainty](#)" that we would introduce a new approach to transfer pricing enquiries involving greater specialisation and team work, a focus on issues of higher risk, action plans for enquiries agreed where possible with companies, and active monitoring of progress. The new approach was initiated in January 2008.

The position at the end of the first quarter of 2008 was that the average time taken to settle an enquiry was 38 months and the average age of open enquiries was 32 months. Significant progress has been made since that date.

As at 31 March 2011 90% of cases open as at 1 April 2008 had been settled.

As at 31 March 2012 95% of cases open as at 1 April 2008 had been settled.

## Time taken to resolve enquiries

### Age of open enquiries

	31/03/10	31/03/11	30/06/11	30/09/11	31/12/11	31/03/12
Average age of open enquiries (months)	24.8	19.2	21.2	21.3	20.4	20.8
50% open less than (months)	16.2	12.4	12.5	12.4	13.0	15.4

### Age of settled enquiries

12 months to	31/03/10	31/03/11	30/06/11	30/09/11	31/12/11	31/03/12
Average (months)	33.3	29.4	24.8	24.4	26.1	26.1
50% settled within (months)	31.0	25.7	20.7	19.3	18.0	17.7

The age of settled enquiries reflects settlement of those taken up before 1 April 2008 and those taken up after that date. Less enquiries being opened during the year than in previous years has increased the median age of open enquiries.

## Transfer Pricing Yield

Year	2007/8	2008/9	2009/10	2010/11	2011/12
Total Amount	£519m	£1,595m	£1,039m	£436m	£1,095m
Large Business Service	£494m	£1,564m	£973m	£273m	£944m

<sup>1</sup> Part 4 Taxation (International and Other Provisions) Act 2010 for accounting periods ending on or after 1/4/2010, Schedule 28AA Income and Corporation Taxes Act 1988 for prior periods.

Local Compliance	£25m	£31m	£66m	£163m	£151m
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Fluctuations in the level of yield from year to year are principally due to the effects of a small number of very large cases.

## Advance Pricing Agreements (APAs) statistics - year ended 31 March 2012

HMRC has run an APA Programme since 1999 to assist businesses in identifying solutions for complex transfer pricing issues.

Statement of Practice (SP2/10) provides comprehensive guidance about how HMRC interprets the APA legislation and applies it in practice.<sup>2</sup>

	2009/10	2010/11	2011/12
Applications made during year	32	49	32
Applications turned down	3	1	0
Applications withdrawn	2	2	1
APAs agreed during year	20	35	32
APAs in force during period	56	67	66
Average time to reach agreement:	20.3 months	22.7 months	16.9 months
50% agreed within:	16.5 months	14.0 months	10.7 months

Interest in the APA programme remains high. HMRC recommends that any enterprise interested in applying for an APA contacts HMRC first to informally discuss its plans before presenting a formal application. There have been a large number of expressions of interest that have not progressed to formal applications yet.

Elapsed times are measured from the date the formal APA application is received to the date the agreement is signed by all relevant parties.

## Advance Thin Capitalisation Agreements (“ATCAs”) statistics - year ended 31 March 2012

Although ATCAs come within the APA legislation, the ATCA process is administratively separate. All ATCAs are unilateral.

Statement of Practice 01/12 gives a thorough explanation of most aspects of HMRC’s approach. Detailed practical guidance is contained in the International Manual, available via the HMRC website.

	2010/11	2011/12
ATCAs agreed during year	127	160
Agreements in force during 2010/11	231	279
Average time to reach agreement:	9.8 months	10.1 months
50% agreed within:	6.9 months	7.7 months

## Mutual Agreement Procedure (MAP) statistics for 2011-12

<sup>2</sup> <http://www.hmrc.gov.uk/international/transfer-pricing-stats.pdf>

Statement of Practice 1/11 outlines HMRC's practice in relation to the elimination of double taxation under MAP and/or the EU Arbitration Convention. As with APAs, the majority of cases require negotiation with other tax administrations, which can impact the time taken to reach agreement.

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Cases resolved during the year	45	40	46
Cases admitted during the year	51	39	45
Average time to resolve cases	24.3 months	27 months	23 months
50% resolved within	21.3 months	19 months	21 months