

## 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 HM Revenue & Customs' (HMRC's) large business customers.

Following a public consultation, HMRC announced in October 2007 in the document ['Making a difference: clarity and certainty'](#) that they 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 per cent of cases open as at 1 April 2008 had been settled.

### Time taken to resolve enquiries

#### Age of open enquiries

	31/03/10	30/06/10	30/09/10	31/12/10	31/03/11	30/06/11	30/09/11
Average age of open enquiries (months)	24.82	23.37	22.62	20.15	19.20	21.17	21.3
50% open less than (months)	16.22	15.42	12.40	12.49	12.43	12.46	12.40

#### Age of settled enquiries

12 months to	31/03/10	30/06/10	30/9/10	31/12/10	31/3/11	30/6/11	30/9/11
Average (months)	33.3	34.6	33.7	33.6	29.4	24.8	24.4
50% settled within (months)	31.0	32.4	32.5	32.4	25.7	20.7	19.3

The age of settled enquiries reflects settlement of those taken up before 1 April 2008 and those taken up after that date.

There has been significant progress in settling older enquiries and in reducing the time to settle enquiries generally; this is reflected in the ages of both open and settled enquiries. In the three months to 30 June 2011, HMRC resources were focussed on settling existing enquiries and while this helped to drive down the age of settled enquiries fewer new enquiries were opened in the period leading to an increase in the average age of open enquiries.

<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.

## Transfer Pricing yield

Year	2007/8	2008/9	2009/10	2010/11
Total Amount	£519m	£1,595m	£1,039m	£436m
Large Business Service	£494m	£1,564m	£973m	£273m
Local Compliance	£25m	£31m	£66m	£163m

Fluctuations in the level of yield from year to year are principally due to the effects of a small number of very large cases. At the mid year point the yield for 2011/12 has already significantly exceeded the total yield for 2010/11.

## Advance Pricing Agreements (APAs) statistics - year ended 31 March 2011

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
Applications made during year	32	49
Applications turned down	3	1
APAs agreed during year	20	35
Applications on hand at year end	56	69
Average time to reach agreement:	20.3 months	22.7 months
50% agreed within:	16.5 months	14.0 months

Significant progress was made in settling some very old cases during 2010/11, hence an increase in the average time to reach settlement; at the same time, the reduced median age of settlements reflects the progress made in resolving cases.

A small number of applications were not accepted into the APA programme: SP2/10 sets out the criteria by which applications are assessed for acceptance.

## Advance Thin Capitalisation Agreements (ATCAs) statistics - year ended 31 March 2011

Although ATCAs come within the APA legislation, the ATCA process is administratively separate. All ATCAs are unilateral and are co-ordinated by financial specialists in the Transfer Pricing Team at Business International.

Statement of Practice 04/07 gives a thorough explanation of most aspects of HMRC's approach, supplemented by Revenue & Customs Brief 01/09, which explores and clarifies issues which have been raised since the Statement of Practice was issued. Detailed practical guidance is contained in the International Manual, available via the HMRC website. A new Statement of Practice will be released shortly.

ATCAs agreed during year	127
Applications on hand at 31/3/11	173
Agreements in force during 2010/11	231
Average time to reach agreement:	9.8 months
50% agreed within:	6.9 months

<sup>2</sup> [www.hmrcgov.uk/practitioners/sop.pdf](http://www.hmrcgov.uk/practitioners/sop.pdf)

## Mutual Agreement Procedure (MAP) statistics for 2010-11

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>
Cases resolved during the year	45	40
Cases admitted during the year	51	39
Cases on hand 31/3/11	93	92
Average time to resolve cases	24.3 months	27 months
50% resolved within	21.3 months	19 months