
Transfer pricing documentation – an efficient measure for combating the base erosion and profit shifting?

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Abstract

The setting up of groups of companies has become a large scale phenomenon, dominating the global economy. These groups have set up subsidiaries in different countries, leading to the occurrence of issues regarding the taxation of the results within the group, and to the development of the transfer pricing concept, respectively. This concept has been used over the time by multinational corporations to move their profits in low-tax jurisdictions. For this reason, globally, there have been concerns regarding the adoption of a legislation that could combat the base erosion and profit shifting. This article analyses whether the adoption of a legislation which provides the transfer pricing documentation requirement represents an efficient measure for the blurring of the base erosion and profit shifting phenomenon. The research was performed at the level of the member countries of the Organisation for Economic Co-operation and Development. The article also aims to clarify certain aspects regarding transfer pricing and to provide a practical approach of the associated mechanisms. The novelty, originality and impact of the article on the accounting profession are represented by the fact that the transfer pricing concept is relatively new for the specialists from Romania and also for the tax authorities.

Keywords: *transfer pricing, arm's length principle, affiliation relationships, double taxation of results, manipulation of results, transfer pricing documentation*

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