

DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)

OUTCOME PAPER (DITEG) 21A

February 9, 2005

1. Topic: Intercompany Remittances

2: Issues: See DITEG Issue Paper 21A Intercompany Remittances

DITEG members noted the points raised in the paper and the use of transfer pricing as an accounting entry to zero out funds to parent. DITEG recognized that it was consistent with experience in some other countries with regard to branch accounting.

3. Recommendations

(i) While the revisions to the BoP Manual and the Benchmark Definition of FDI are still in progress the guidance in them relating to this topic will remain under discussion

(ii) DITEG did not support the separate identification for trade in services of the service element of transfer pricing

(iii) DITEG concluded that income redistribution should not be classified as transfer pricing where it was not separated for reporters own purposes and that it should remain as income

(iv) DITEG did not reach a conclusion on whether all transfer pricing should be treated as a hidden dividend/investment if reporters are unable to identify the element that is over or under invoicing

(v) DITEG did not think that it would be appropriate for the issue of transfer pricing to feed into the upcoming SNA revision process

4. Rejected Alternatives

None

5. Questions for the IMF Committee on Balance of Payments and the OECD Workshop in International Investment Statistics

Do the Committee and the WIIS agree that payments by a branch to its nonresident head office that result in a zero balance in the branch's income account should be treated as income, and not to try to separate any other elements (such as service payments)?

