

CIRCULAR
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SUBJECT:

WORLD CUSTOMS ORGANISATION HAS ISSUED GUIDE ON CUSTOMS VALUATION AND TRANSFER PRICING

The World Customs Organization (WCO), of which Turkey is a founding member, is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of local Customs administrations. The history of the WCO began in 1947, when the thirteen European Governments represented on the Committee for European Economic Co-operation agreed to set up a Study Group. In 1948, the Study Group decided to set up two committees: an Economic Committee and a Customs Committee. The Economic Committee became the predecessor of the Organization for Economic Co-operation and Development (OECD), while the Customs Committee became the Customs Co-operation Council (CCC), which would be renamed the World Customs Organization later on.

On July 2015, The WCO launched a new guide on the topic of the relationship between customs valuation and transfer pricing. The main purpose of the Guide is to explain the methodology for customs valuation of international transactions within a multi-national group. While the Guide is especially designed for customs auditors, it is also recommended for taxpayers and tax authorities to read. The Guide aims to set out the relevant methodology for customs valuation and transfer pricing, and explores the linkage between the two regimes.

The Guide consists of six main sections, the main subjects of which are as follows:

1. Introduction to the Guide and its purpose;
2. Technical information on customs valuation methodology, in particular transaction value method;
3. Introduction to transfer pricing, including the legal framework, and an introduction to the arm's length principle as further detailed in the OECD TP Guidelines;
4. Similarities between customs valuation and transfer pricing methodologies in practice;
5. Discussions regarding the use of transfer pricing information to examine related party transactions for customs purposes; and

6. Raising awareness and improving interaction between the two disciplines by identifying good practices for customs valuation policy makers, businesses and tax authorities.

The Guide essentially reveals the following topics and views:

1. It is possible for custom authorities to use transfer pricing methodology, which is stipulated by the OECD, for customs valuation.
2. Legislation should clearly state the strategy that is to be implemented by both customs authorities and companies regarding the transfer pricing adjustments for imported goods.
3. Transfer pricing reports, which are required by tax authorities, should also be open to use by customs authorities. Customs authorities should have the necessary technical information and competencies to comment on the said transfer pricing reports.
4. The Guide encourages customs and tax authorities to work together, and exchange information and knowledge regarding transfer pricing.

We think that the Guide is important as it establishes the basis for cooperation between tax authorities and customs authorities, and raises the awareness of customs authorities regarding transfer pricing.

The Guide is available via following link:

<http://www.wcoomd.org/en/media/newsroom/2015/june/new-wco-guide-to-customs-valuation-and-transfer-pricing.aspx>

Best regards,

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