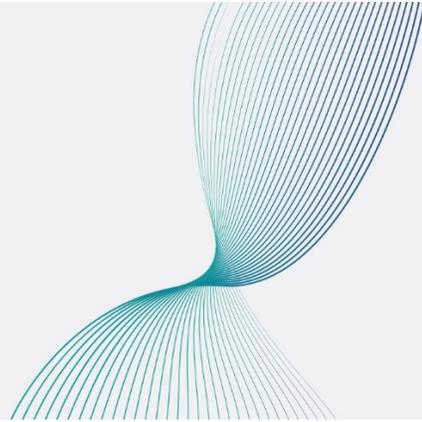




# TaxNewsNOW



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## Canada's APA Program Report Card

*The CRA is reviewing this transfer pricing program to try and speed up the APA process*

The CRA is reporting a marked reduction in the number of accepted and completed cases in its Advance Pricing Arrangement (APA) program, according to the CRA's recently released 2019 APA Program Report. Specifically, the CRA accepted seven new APA applications in 2019, and completed 12 cases—a marked decline from 2018, when 32 applications were accepted and 25 cases were completed.

However, the CRA says it is undertaking a review of its APA process to identify opportunities to improve timeliness. In addition, the CRA says it's working alongside other jurisdictions to identify possible improvements to the APA process, as part of an ongoing OECD study.

The report's key findings for the 2019 year are outlined below.

### Background

An APA is an arrangement between a multinational enterprise and one or more tax authorities. It provides advance confirmation of the appropriate transfer pricing methodology to apply to specific intercompany transactions for a specified term. APAs have many significant advantages for taxpayers such as:

- The ability to avoid costly and time-consuming audits
- No risk of transfer pricing penalties
- Proactive double-tax avoidance

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- The possibility to "rollback" the APA to prior open taxation years
- No need to maintain formal annual transfer pricing documentation.

### Highlights of the report

According to the CRA's report, there were 15 applications to the APA program pending (i.e., where a pre-file meeting had occurred, but the taxpayer had not made an APA submission) in 2019 and 7 APA applications were formally accepted into the program, which is significantly less than the 32 accepted in 2018. The CRA completed 12 APAs in 2019, which is also markedly less than the all-time high of 36 completions in 2017.

The following chart included in the CRA's report shows how cases moved through the APA process in 2019, compared to 2018.

| Period | Pre-file meetings | Applications withdrawals | Applications pending | Opening APA balance | APAs accepted | APAs completed | APAs unresolved | APA withdrawals | Closing APA balance | Change in inventory from previous period |
|--------|-------------------|--------------------------|----------------------|---------------------|---------------|----------------|-----------------|-----------------|---------------------|--|
| 2019   | 15                | 0                        | 16                   | 71                  | 7             | 12             | 0               | 0               | 66                  | -5                                       |
| 2018   | 31                | 3                        | 19                   | 67                  | 32            | 25             | 0               | 3               | 71                  | 4  |

Along with the decrease in case completion for 2019, the average time it took for the CRA to close a bilateral or multilateral APA (i.e., from acceptance to completion) increased to 51.1 months (from 44 months in 2018).

The report also indicates that, as in previous years, the majority APA cases that it is processing involve the transfer of tangible property, while half of all bilateral and multilateral APA cases involve the United States.

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