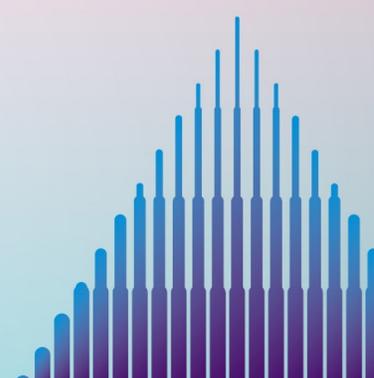




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Canada



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## Canada's 2020 APA Program Report Card

*The CRA closed more APA cases in 2020 in less time compared to the previous year, according to its latest report*

The CRA accepted and completed more cases in its Advance Pricing Arrangement (APA) program in 2020 compared to the previous year, according to the CRA's newest APA Program Report. The CRA's APA program is intended to assist taxpayers by providing increased certainty on certain transfer pricing issues to prevent future transfer pricing disputes. In its latest report, the CRA says it accepted 19 new APA applicants in 2020 (up from seven in 2019). The CRA also completed 15 cases (up from 12 in 2019).

In addition, the CRA notes that it took an average of 36.9 months to complete bilateral and multilateral APA cases, down significantly from 51.1 months in 2019.

### Background

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

- The ability to avoid costly and time-consuming audits
- No risk of transfer pricing penalties
- Proactive double-tax avoidance
- The possibility to "rollback" the APA to prior open taxation years
- No need to maintain formal annual transfer pricing documentation.

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## 2020 APA report

According to the 2020 report, the CRA accepted 19 new cases out of the 20 taxpayers who applied to the program. These new cases added to the 65 ongoing cases at the start of the year. The CRA also completed 15 APA cases in 2020, resulting in a closing inventory of 69 cases in 2020.

This chart, included in the CRA report, compares APA cases in 2020 to 2019.

Period	Pre-file meetings	Application withdrawals	Applications pending	Opening APA balance	APAs accepted	APAs completed	APAs unresolved	APA withdrawals	Closing balance
2020	20	0	28	65	19	15	0	0	69
2019	15	0	27	71	7	12	0	0	66

In addition to the CRA completing more cases than the previous year, it also took the CRA less time to close bilateral and multilateral cases. The CRA took an average of 36.9 months to close a case, compared to 51.1 months in 2019.

The report also indicates that the majority of cases continue to involve the transfer of tangible property, accounting for 42% of APAs in process at the end of 2020.

The CRA says it is currently engaged in bilateral or multilateral APA processes involving taxpayers from 18 different jurisdictions: Australia, Belgium, Chile, China, France, Germany, India, Ireland, Japan, Korea, Mexico, the Netherlands, New Zealand, Singapore, Sweden, Switzerland, the United Kingdom and the United States.

The report also confirms that the CRA will follow the OECD's guidance for best practices regarding COVID-19 related issues for APAs, published in December 2020.

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