


Learn about HMRC's latest transfer pricing guidance on effective risk management.

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UK releases new operational guidance on effective risk management in transfer pricing transactions

His Majesty's Revenue & Customs (HMRC) published new operational guidance for transfer pricing that sets out its view on the application of the OECD's six-step process for analyzing risk. The OECD's process addresses the identification of economically significant risks, control of risks, role of contracts and pricing of transactions taking into account the arm's-length risk allocation. An [EY Tax Alert](#) outlines the six-step process and discusses some of the key concerns around risk management and control being raised by HMRC in transfer pricing enquiries and other engagements with taxpayers.

Considering this guidance, businesses should review their economically significant risks to determine whether risk control activities, including contributions to risk control from other parties, are being adequately identified, analyzed and documented, noting new TP documentation rules in the UK.

Businesses should also look to make sure that processes are in place to evidence that risk control activities are being performed on an ongoing basis. This includes who performs them, which entity they are employed by, and their capability and capacity to perform those activities.

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