

Capital's Role in Transfer Pricing under the Arm's Length Principle

Background

- Capital plays a fundamental role in multinational enterprises.
- It shapes funding structures, risk-taking capacity, and the allocation of business activities across jurisdictions.
- In practice, capital is often raised and managed at the group level and deployed internally to support operations.
- Under the OECD Transfer Pricing Guidelines, capital appears only indirectly.

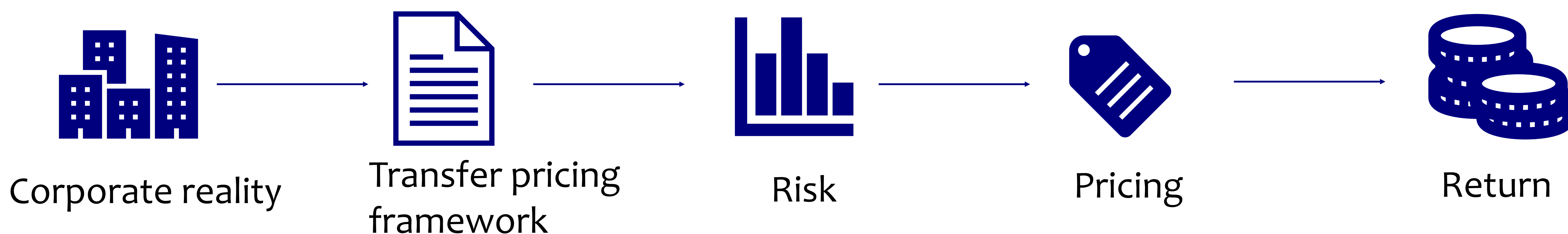
Research Question



What role does capital play in transfer pricing under the arm's length principle, and to what extent does the current OECD framework effectively align with economic reality in multinational enterprises?

Scope and Analytical Lens

- Capital is understood functionally as the financial resources and funding capacity that enable an entity to perform business activities, assume risks, and sustain operations within an MNE.
- The analysis follows this logic



Structure of the Research

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Capital in Corporate and Transfer Pricing Context

- definition of capital
- Capital as an Enabling Resource in Business Activity
- why capital matters in transfer pricing

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Capital and Risk Allocation

- Capital within the Transfer Pricing Analysis
- Assessing Financial Capacity to Bear Risk

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Capital as the Object of Controlled Transactions

- debt vs equity
- pricing debt
- equity and the absence of transaction pricing

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Return to Capital

- residual profit
- whether capital is entitled to a return
- risk-free and risk-adjusted returns