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# Project Background

- CCRA has offered the Advance Pricing Arrangement program since 1993. 87 applications (representing approximately 50 companies) have been received since the inception of the program.
- Recent published research indicates that international transfer pricing is growing in importance as an international tax issue.
- Senior CCRA officials are questioning the demands that might be made upon this program in the future as a method of dealing with transfer pricing issue disputes.
- Almost all of the applicants to the program to-date have been very large multinational companies.

# Project Summary

- The primary objectives of this project were to assess the attitudes and opinions of current APA program users (Qualitative Phase) and to determine the potential future use of the APA program (Quantitative Phase).
- Focus Groups and personal interviews were used to solicit opinions from external tax advisors and current / former participants in the APA program.
- A quantitative telephone survey was conducted with external tax advisors and tax executives from large and small corporations in Canada.

# Qualitative Research Objectives

## *Primary qualitative research objective ...*

To understand attitudes and perceptions of current users and their tax advisors to the Advance Pricing Arrangement program.

## *Secondary qualitative research objectives ...*

- To understand how participants entered the APA program
- To understand general attitudes towards APA program
- To identify strengths and weaknesses of the APA program
- To obtain suggestions for changes to the program and scope of the program
- To obtain an evaluation of APA program personnel.

# Quantitative Research Objectives

## *Primary quantitative research objective ...*

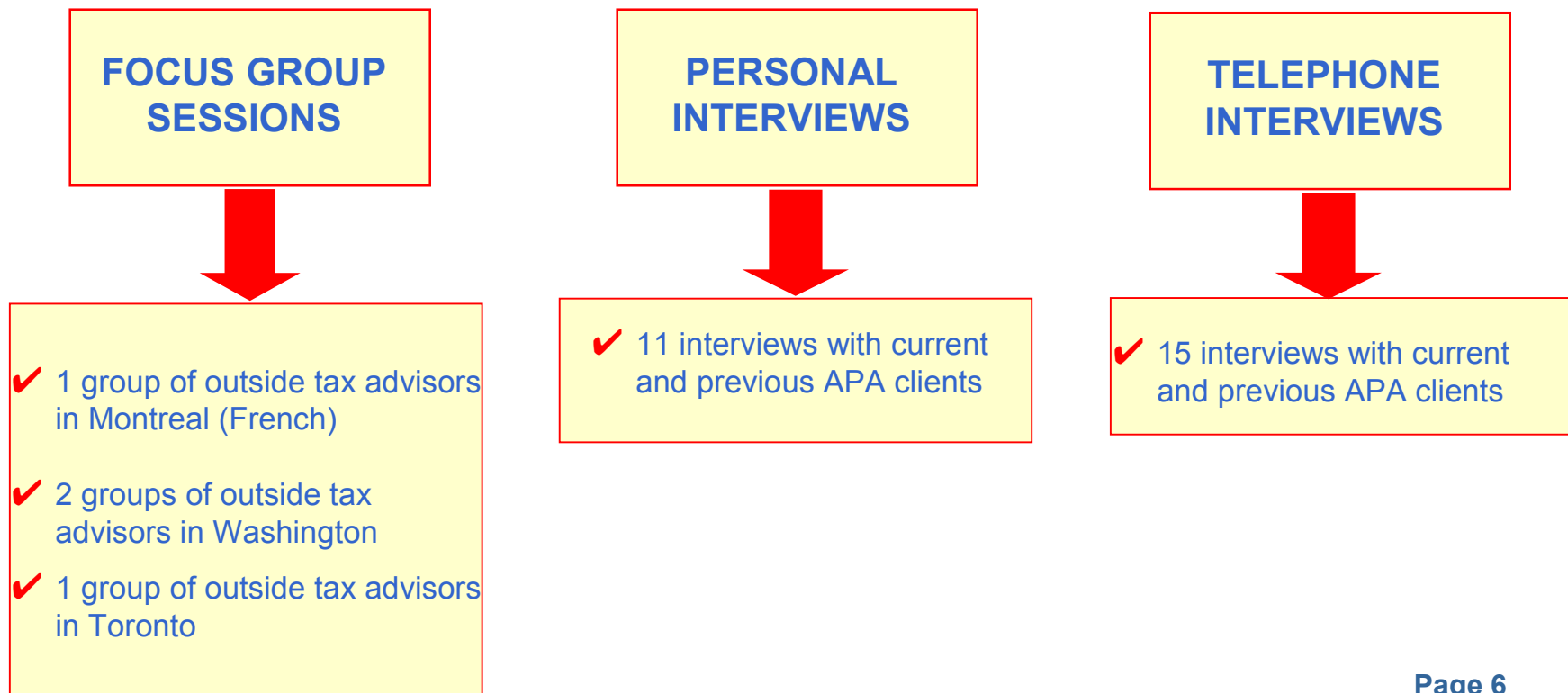
To understand the size of the potential market for the APA program offered by Canada Customs & Revenue Agency.

## *Secondary quantitative research objectives ...*

- To understand importance of transfer pricing and other international tax issues
- To understand whether transfer pricing is gaining or losing in importance
- To assess the role of transfer pricing in an organization
- To determine the factors that shape international transfer pricing policies
- To understand level of awareness and favourability of CCRA's APA
- To determine the benefits of the APA and the general attitudes to the program.

# Qualitative Research Methodology

- In order to meet the objectives of the qualitative phase of this project, a combination of focus groups and personal interviews were conducted. Current and previous clients were interviewed in person in Montreal (French) and Toronto and by telephone for all other locations. Focus groups with outside tax advisors were conducted in Montreal, Toronto and Washington.
- Field Dates: February 23, 2000 to March 13, 2000

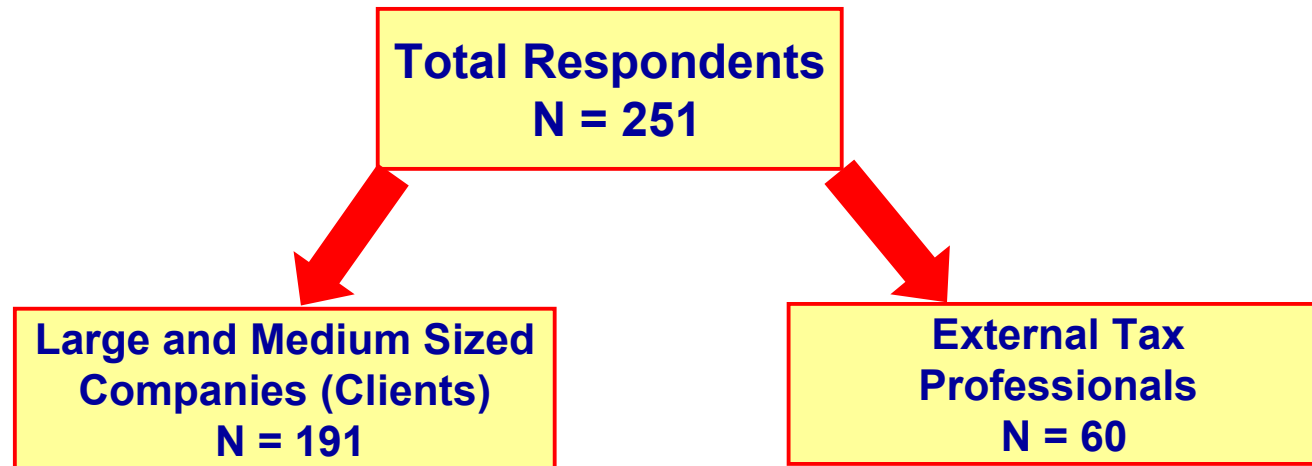


# Who Was Interviewed In The Qualitative Phase?

- Representatives from 26 organizations
- One half of organizations have or had approved APA's. A number have expired APA's.
- One half are in the approvals process. One had terminated application.
- The average length of time in the approvals process for these companies was 3.5 years.
- Half of individuals interviewed were from US, others from Canada.
- Focus groups conducted with tax advisors in Washington, Montreal and Toronto.

(It is of note that very few differences of opinion or perceptions regarding the APA program and international transfer pricing exist between tax advisors and clients)

# Quantitative Methodology - Sample



- In this quantitative phase of the project, telephone interviews were completed with 191 senior tax executives of corporations who are facing international transfer pricing issues.
- In addition, 60 telephone interviews were completed with outside professional tax advisors.
- The telephone calls were conducted between March 15 and March 31, 2000
- On a total basis, a sample of 251 is accurate to within +/- 5.19 percentage points; 9 out of 10 times.
  - ▣ Large & Medium Sized Companies (N=191) : +/- 5.95%; 9 out of 10 times
  - ▣ Outside Tax Professionals (N=60) : +/- 10.62%; 9 out of 10 times



# Reporting Perspective

- The findings from the qualitative and quantitative phase are reported in separate sections. This approach was decided upon as they really are two very distinct and separate components of this overall research study each with their own objectives and methodology. Additionally, the sample of people interviewed was completely different in each phase. The qualitative phase addressed the attitudes and opinions of persons very familiar with CCRA's APA program. Largely, these individuals had direct previous experience with an APA. The sample for the quantitative phase was much wider. It included a number of people with limited or no previously knowledge of the APA, but who may have need for such a program as their companies have international transfer pricing issues.
- Throughout the report, circles and squares have been used to distinguish results which are statistically significant from either the total or from findings within the same data break.
- Circles signify findings which are statistically higher, whereas squares highlight those which are below the norm.
- The report highlights differences at a 90% level of confidence.
- Given the sample sizes and the resultant margins of accuracy, some results should be interpreted with caution.