



MEDZINÁRODNÉ VZŤAHY

SLOVAK JOURNAL OF INTERNATIONAL RELATIONS

Faculty of International Relations, University of Economics in Bratislava

2020, Volume XVIII., Issue 1, Pages 71 – 88

ISSN 1336-1562 (print), ISSN 1339-2751 (online)

Submitted: 11. 12. 2019 | Accepted: 9. 3. 2020 | Published 15. 3. 2020

MEDZINÁRODNÁ SKUSENOSŤ V OBLASTI REGULÁCIÍ KONTROLOVANÝCH TRANSAKCIÍ TRANSNACIONÁLNYCH SPOLOČNOSTI

INTERNATIONAL EXPERIENCE OF REGULATION OF CONTROLLED TRANSACTIONS OF TRANSNATIONAL COMPANIES

*Mariia Ermilova*¹

Cieľom článku je preukázať potrebu zavedenia jednotných medzinárodných prístupov k regulácii vnútorných podnikových transakcií, ktoré znížia finančné riziká nadnárodných spoločností. Článok analyzuje súčasné skúsenosti s reguláciou kontrolovaných transakcií spoločností v medzinárodnej praxi. Zistili sme, že je potrebné zlepšiť zásady medzinárodnej regulácie vnútorných podnikových transakcií. Štúdia umožnila určiť potrebu rozvoja spoločných medzinárodných prístupov k regulácii transakcií medzi vzájomne závislými subjektmi s cieľom znížiť finančné riziká nadnárodných spoločností a odstrániť problém dvojitého zdanenia. Na základe analýzy zahraničných skúseností bolo možné identifikovať hlavné problémy procesu medzinárodnej regulácie vnútorných podnikových transakcií.

Kľúčové slová: kontrolované transakcie, transferová cenotvorba, vzájomne závislé subjekty, dvojité zdanenie, finančné toky

The purpose of this study is to prove the need for the introduction of uniform international approaches to the regulation of internal corporate transactions, which will reduce the financial risks of transnational corporations. This study analyzed current experience in regulating controlled transactions of companies in international practice. It was determined that the improvement of the principles of international regulation of internal corporate transactions is required. The study made it possible to determine the need to develop common international approaches of regulating transactions between interdependent entities in order to reduce the financial risks of multinational companies and eliminate the double taxation principle. Based on the analysis of foreign experience, it was possible to identify elements of the process of international regulation of internal corporate transactions.

¹ Dr. Mariia Ermilova, Ph.D., Department of Financial Management, Plekhanov Russian University of Economics, Moscow, Russian Federation, e-mail: masha080487@mail.ru

Key words: controlled transactions, transfer pricing, interdependent persons, double taxation, financial flows
JEL: E64, F23

1 INTRODUCTION

In modern international relations, most countries of the world give special attention to improving the state system of financial regulation. This is largely due to the need to control internal corporate financial flows in the controlled transactions of large holdings. In order to reduce financial costs, such organizations apply a list of methods and tools that may affect internal corporate financial flows.

The analysis of modern international practice has shown that special attention is paid specifically to the study of methods for regulating financial flows in intra-company transactions of companies. Scientists and experts from the professional community around the world are conducting research to identify problems in the regulation of internal corporate transactions, devoting their in order to find models for the development of international and national legislation in this area.

The regulation of transactions between related parties is one of the significant issues for both tax administrations (departments) and companies. In many countries, national laws that regulate the principles and methods of regulating transactions between related parties are gradually being improved or formed. In Russia, in most cases, the term “deoffshorization” frequently sounds. Despite active work to improve the legislation governing transactions between related parties, one should not allow the creation of an excessive tax or other burdens on bona fide taxpayers when introducing new rules and regulations, especially into Russian legislation.

The purpose of this study is to prove the need for the introduction of uniform international approaches to the regulation of internal corporate transactions, which will reduce the financial risks of transnational corporations.

2 PRINCIPLES OF REGULATION OF INTERNAL CORPORATE TRANSACTIONS

Initially, special provisions governing intra-company transactions were introduced into their national legislation by the United States of America (mid-1960s). It is worth noting that the financial law and tax laws of the United States are significantly different from the laws of other foreign countries. Thus, this gave an impetus to the search and formation of norms and institutions of financial regulation of internal corporate transactions that will be applicable in most countries.

In 1976, the issue of regulation of internal corporate transactions was first identified at the international level. OECD member countries approved the “Declaration on International Investments and Transnational Corporations”, which contains recommendations for transnational corporations on the inadmissibility of using financial schemes that distort the tax base in the country where such a multinational company operates. In 1979, the OECD issued a document in which

corporations were advised to refrain from using intra-corporate financial flows for dishonest purposes.

In a general sense, within the framework of Russian practice, controlled transactions include all cross-border and in-country transactions between interdependent persons that are subject to (may be) subject to federal or regional state regulation. In accordance with Russian tax legislation, federal state regulation of controlled transactions that comply with those specified in Article 105.14. Of the Tax Code of the Russian Federation (hereinafter - the Tax Code of the Russian Federation) to the terms and conditions, is carried out by the central office of the Federal Tax Service of the Russian Federation (hereinafter - the Central Administration of the Federal Tax Service of the Russian Federation) as a separate authorized body of the Federal Tax Service of the Russian Federation. At the same time, in February 2016, the Supreme Court of the Russian Federation confirmed the right of territorial tax authorities to reveal facts of price manipulation in transactions that are not controlled by the provisions of Article 105.14 of the Tax Code of the Russian Federation during desk and field tax audits (regional regulation).

According to the results of the reporting campaign for 2013-2014 Russian taxpayers filed more than 5.9 and 11.5 thousand notifications of completed controlled transactions. As part of the tax control of transactions between related parties during 2014-2015 additional tax revenues to the budget amounted to more than 1.4 and 2.5 billion rubles. Since 2015, the legislative transitional provisions providing for the absence or reduced penalties for violation of the legislation in the field of transfer legislation have become invalid. In this regard, the need for interdependent individuals to introduce an internal corporate system for regulating controlled transactions has significantly increased in order to optimize tax risks for such transactions.

Typical stages of the methodology for internal corporate regulation of transactions between related parties are presented in Table 1.

Table 1: Stages of internal corporate regulation of transactions between related parties in Russia

<i>Stage</i>	<i>Name of the business process</i>	<i>Event</i>	<i>Result / Report</i>
1	Planning for transactions with related parties	Based on the business plan, cash flow budget and income and expense budget, a list of future transactions with related parties during the reporting period is compiled	Register of transactions with related parties – Plan
2	Forecasting financial indicators for transactions with related parties	Estimated future income and expenses of transactions with related parties	Register of transactions with related parties – Plan
3	Conducting transactions between related parties	Reflection of business transactions in accounting and tax accounting in accordance with primary documents	Accounting and tax reporting
4	Financial control of transactions between related parties	Comparison of planned and actual financial indicators for completed transactions	Register of transactions with related parties -Fact
5	Selection of controlled transactions	Compilation of a list of controlled transactions subject to regional regulation	Register of Controlled Transactions – Fact
6	Analysis of controlled transactions	Analysis of conditions and prices for controlled transactions. Comparison of indicators with market indicators.	Decision on the need or absence of the need for adjustments
7	Symmetric adjustments	Adjustment of income and expenses on controlled transactions	Register of controlled transactions – Fact (adjustment)
8	Drawing up documents on controlled transactions	The formation of a package of documents that deciphers the principles of pricing and justifies the market level of prices	Documentation for each controlled transaction
9	Preparation and transmission of notifications of controlled transactions	Preparation of a notice on controlled transactions completed during the reporting period	Completion of the business process / submission of reports on controlled transactions to the Federal Tax Service of the Russian Federation

Source: processed by author

As part of the first stage, financial planning is carried out on the basis of a business plan, a cash flow budget, a budget of income and expenses, plans are made for a register of transactions with related parties during the reporting period. At the second stage, future income (expenses) on transactions between related parties is

estimated. Forecasted financial indicators are entered in the Register of transactions with related parties - the Plan.

At the third stage, transactions with related parties are carried out, primary documents are drawn up, and the corresponding business transactions are reflected in accounting and tax accounting. As part of the fourth stage, planned indicators are compared with actual ones, deviations are analyzed, and information is entered in the Register of transactions with related parties.

At the fifth stage, the selection of controlled transactions that meet the conditions of Article 105.14 of the Tax Code of the Russian Federation takes place, from the total number of transactions with related parties, a Register of controlled transactions is compiled - Fact. Such transactions are subject to regional state regulation; it is necessary to prepare documentation for them and submit a notification to the Federal Tax Service of the Russian Federation.

After that, the completed controlled transactions are subject to analysis on the conformity of the applied transfer prices to the market price level, financial and commercial terms of transactions, market price (profitability) intervals are compared, information and analytical resources are used (stage 6).

If the analysis reveals an overestimation (understatement) of income (expense) on controlled transactions, a decision is made on the need for symmetrical adjustments. Symmetric adjustments consist in a simultaneous change in the income (expenses) of both the seller and the buyer in a controlled transaction. If transfer prices correspond to the market price level (profitability), symmetrical adjustments are not required.

At the eighth stage, a package of documents for each controlled transaction is formed, the pricing principles in the controlled transactions are deciphered, the correspondence of the applied prices to the market price level (profitability) is justified, commercial and financial conditions of transactions are described, etc.

At the final ninth stage, the taxpayer based on the report – Register of controlled transactions – The fact draws up a notice of completed controlled transactions and submits it to the Federal Tax Service of the Russian Federation on time.

The methodology of corporate regulation of transactions between related parties allows us to build an ordered sequence of business processes in a company (group of companies) to regulate its (their) controlled transactions in accordance with the current transfer pricing rules. At the same time, the system of internal corporate regulation of controlled transactions is a set of measures for accounting, control and impact on financial flows in such transactions in order to prevent additional financial costs by optimizing tax risks.

Important definitions in the framework of internal corporate transactions were the transfer price and transfer pricing.

Analysis of transfer prices used in controlled transactions is a fairly new type of tax control and is carried out on the basis of the provisions of the Russian legislation on transfer pricing, and is also built taking into account international standards. However, there are a number of differences from generally accepted international practice.

Transfer prices appeared in the 1960s, when transnational corporations (hereinafter, TNCs) began to open in developing countries of the world, which were aimed at producing a product in one organization and transferring it to another interdependent company. The prices at which goods (services) were sold between interdependent companies were called transfer prices, and the process of setting them is called transfer pricing.

The operation in the 1990s of offshore companies represented by countries (territories, states) attracting the capital of foreign companies by providing the latter with special tax and other benefits allowed them to significantly save on taxes, using the transfer price in the calculations, which does not correspond to the market price level. Thus, organizations moved taxable profits between states, with profit centers located offshore. However, transfer pricing is, first of all, the objective need of the market and a powerful incentive for the development of the economy (Mambetalieva 2010).

The first transfer pricing studies were published between 1950-1960 by scholars such as Jack J. Hirshleifer and Chris Argyris. Scientists have studied transfer pricing as a tool for the internal distribution of financial flows in multinational corporations. Transfer pricing was considered as a financial instrument that allows you to generate profit for each structural unit of such companies, which helps to increase productivity and increase the profitability of the entire corporation (Anthony and Dearden 1984).

In 1995, the OECD approved the document “Guidelines for transfer pricing for international corporations and tax administrations,” or as it is called in business circles, the “OECD Guidelines for Transfer Pricing”, the provisions of which are fully or partially taken as the basis for the formation of national legislation on the regulation of controlled transactions in most states. This guide is regularly supplemented (revised) by the OECD based on data on the current economic situation in the global economy, modern mechanisms for optimizing financial costs and other aspects of the international regulation of financial flows in controlled transactions.

Foreign researchers, the transfer price is more interpreted as the price that is set between different divisions and branches belonging to one company (Milgate, Newman and Eatwell 1998). There is another identical definition: the transfer price is the price at which divisions of one organization transfer goods (work, services) among themselves (Heath, Huddart and Slotta 2009).

In Russian studies, many authors adhere to the point of view that the transfer price is a certain internal price at which one unit of the organization (workshop, department, etc.) transfers products or services to another (Kuznetsova 2011).

Bakhrushina (2000) interprets the transfer price as the price at which one center of responsibility transfers its products or services to another center of responsibility, while the author points out that transfer pricing is the process of establishing internal estimated prices between segments of one organization.

According to generally accepted standards used by many countries, transfer prices are recognized as prices at which the transfer of goods, including intangible assets, work is performed and services are provided between related parties (associated enterprises) (OECD 2010).

The national laws of countries on the regulation of transactions between related parties focus more on the fight against tax evasion by companies in connection with the use of corporate financial flows for dishonest purposes.

Improving the principles of international regulation of internal corporate transactions is caused by:

- the need to develop common (international) approaches to the regulation of controlled transactions;
- elimination of double taxation of company income;
- avoiding tax discrimination of companies.

The international and national methods for regulating intra-company transactions are based on the “arm’s length principle”, another name for which is the “market price” principle. The indicated principle is to determine in transactions between related parties market prices that correspond to the prices used in such transactions between independent parties.

The risk of double taxation of the income of companies on financial flows in internal corporate transactions arises if such companies use prices other than the market level. So, in the conditions of activity of transnational corporations, if the tax administration of one country adjusts the tax base of a resident of such a state, the transnational corporation will suffer financial losses for double taxation of the same income in different jurisdictions.

It should be noted that if the country of the resident of the seller generates intra-corporate financial flows in an international transaction, this will lead to double taxation of the same income.

Thus, it is essential to develop common international approaches to the regulation of internal corporate transactions in order to reduce the financial risks of TNCs and eliminate the double taxation principle.

3 INTERNATIONAL REGULATION OF CONTROLLED TRANSACTIONS

Currently, to ensure international regulation of transactions between related parties, the active work of the OECD, the United Nations (hereinafter referred to as the UN) and the European Union, which is represented by the European Commission, the Directorate General for Taxation and Customs Union (hereinafter the EU), is required.

These organizations and associations form international rules for regulating internal corporate transactions for states by affiliation. Thus, the OECD provides its achievements for the OECD member countries, the UN for the UN member countries, the EU for the countries that are members of the European Union, and develop international regulatory documents, the use of which is advisory.

The international documents of these organizations are applied when introducing national legislation on the regulation of internal corporate transactions in almost all world economies. In Russia, the OECD Guidelines are taken as the basis of national legislation.

The international documents that regulate transactions between interdependent parties have been conventionally divided into several groups.

The first group includes documents on the formation and application of international rules for regulating controlled transactions for both tax administrations and transnational corporations. These documents include the main approaches to regulating intra-company transactions in order to comply with the “outstretched hand” principle, as well as signs of these transactions, methods and tools for analyzing intra-corporate financial flows (functional, economic, financial analysis of controlled transactions, comparability procedures for controlled and independent transactions).

The second group includes documents such as conventions aimed at avoiding double taxation of the same income in different jurisdictions, which is undoubtedly required in the conditions of activity of both transnational corporations and companies engaged in foreign trade activities. Based on the data of international conventions, interstate bilateral treaties (agreements) on the avoidance of double taxation are developed, in particular Russia, when concluding bilateral treaties, relies on the OECD Model Convention on income and capital taxes.

The third group includes documents containing the principles of concluding preliminary agreements on the principles of pricing in corporate transactions (Advance Pricing Agreements) (hereinafter – APAs). So, between a corporation and the tax administration, or a tripartite agreement between the tax administrations of different states and one transnational corporation. The main goal of APAs is to prevent arbitration disputes by determining fair financial flows for pre-known intra-company transactions based on an analysis of the data provided by the taxpayer regarding future transactions. As a rule, APAs are concluded for several years and are intended to resolve current and potential disputes regarding internal corporate transactions in cooperation with the tax administration.

The fourth group includes documents explaining certain issues of regulation of transactions between interdependent persons, causing the greatest difficulties for both tax administrations and taxpayers. Thus, the EU approved a single (standard) package of documents on internal corporate transactions, forming the “EU Code of Conduct for the Effective Application of the Convention on Avoiding Double Taxation in Connection with the Adjustment of the Profit of Associated Companies”. The standard introduced certainty in the regulation of such transactions and reduced the risks of financial losses of TNCs due to additional costs and penalties in the formation and submission of tax documentation.

In the system of international regulation of transactions between interdependent parties, it is customary to single out the subject, object, subject of such regulation.

The subjects of international regulation of internal corporate transactions include interdependent persons and tax administrations of the countries of which such persons are residents.

The object of international regulation of internal corporate transactions is the size (size) of internal corporate financial flow established in the transaction between interdependent organizations in the conditions of national regulation of these financial flows.

The subject of international regulation of transactions between related parties is the economic relationship between related parties to the transaction.

A study of the experience of a number of countries can highlight elements of the process of international regulation of transactions between related parties, namely:

- identification of a controlled transaction;
- functional, economic and financial analysis of a controlled transaction;
- information for the subsequent comparison of a controlled transaction with uncontrolled (market) transactions;
- methods for calculating the market price (profitability) according to the “outstretched hand” principle;налоговые санкции, в случае отличия трансфертной цены от рыночных показателей;
- mechanisms for making adjustments to the tax bases of companies under the conditions of preventing double taxation of their income;
- documentation of companies on controlled transactions;
- tools to minimize financial and tax risks in controlled transactions.

The main tool that allows companies to reduce the financial and tax risks of transactions between interdependent companies is a preliminary agreement on pricing in internal transactions (Advance Pricing Agreements). In addition, some countries (Sweden, Canada, Latvia, etc.) stipulate in their legislation on the regulation of internal

corporate transactions the possibility of exemption from fines or their reduction (penalty relief).

4 TRANSFER PRICING AND INTERNAL CORPORATE TRANSACTIONS

As part of the transactions, transfer prices are indicated. The normative concept of the transfer price is reflected in the Protocol on the exchange of information on the control of transfer pricing between the tax and customs authorities of the EurAsEC member states of June 6, 2006: "The transfer price is the price of goods, work, services that differs from an objectively formed market (free) prices for international transactions" (EEU 2008).

From the point of view of tax regulation, the transfer price is a price that may differ from the objective market price. The transfer price is not formed on the basis of supply and demand, but primarily on the basis of the organization's goals in establishing it. Accordingly, the deviation of the transfer price from the level of market prices does not depend on market conditions, but on internal corporate processes.

Transfer price is an element of transfer pricing. Transfer pricing is the variation in the contract price of transactions between related organizations in relation to its market values. Transfer pricing is a way of avoiding taxes, and in business practice refers to one of the classic optimization schemes for tax planning (Mukhin 2012).

In foreign studies, "transfer pricing" is the manipulation of expenses and revenues in transactions between related parties in a manner different from that which would be applied in market conditions in order to obtain a tax benefit (Velloso and Brigagao 1992).

In the United Nations Guide for Transfer Pricing, this definition is interpreted as the process of setting prices in cross-border, intra-company transactions between related parties related to the sale of property or services.

The most important distinguishing features of transfer pricing:

- is one of the methods of tax evasion;
- carried out between related parties;
- leads to financial losses of states in the form of tax revenue shortfall;
- subject to state regulation.

By transfer pricing in this publication it is proposed to understand the process of setting prices in cross-border and in-country transactions between interdependent persons for the sale of assets (works, services).

The subject of transfer pricing is a commercial transaction for the analyzed transaction, that is, joint actions of the parties to the transaction in order to obtain the corresponding benefits. Transfer pricing object – the formed price for such a

transaction, which shows the valuation of the subject of the transaction. The subjects of transfer pricing are parties to such a transaction, since it is the parties to the transaction that can influence the object of transfer pricing, the purpose of which is to establish a transfer price.

In the process of determining the transfer price, the subjects of transfer pricing interact with the internal and external environment of the organization.

The external environment of the transfer pricing process is a set of factors at the macro level that directly (for example, tax regulation) or indirectly (for example, the political situation in the country) influence this process. The internal environment of the transfer pricing process is a combination of factors at the corporate level that directly affect this process.

The transfer pricing mechanism is a set of methods for setting the transfer price in cross-border and (or) in-country transactions between related parties for the sale of assets (works, services) in such a way that, under the influence of environmental and internal factors, the common goals of such individuals are achieved.

Goals can be classified into financial and commercial. The financial objectives of the organization, when applying transfer pricing are:

- reduction of financial losses in the form of tax and customs payments as a whole for the group of the corporation;
 - financing of subsidiaries (intra-group loans);
 - management of financial indicators of subsidiaries (profit (loss)).
- Organizational goals of companies when applying transfer pricing are:
- the need to manage decentralized structures of the organization;
 - cost management due to the effective distribution of fixed and variable costs throughout the production chain of goods;
 - assessment of the activities of managers and departments for the subsequent increase in their motivation;
 - other goals of corporate management.

The transfer pricing mechanism involves a set of methods for determining transfer prices (Table 2).

Table 2: International transfer pricing methods

<i>No.</i>	<i>Name of transfer pricing method</i>	<i>Method contents</i>	<i>Method group name</i>
1.	Comparable uncontrolled price method	Comparison of the transfer price with the interval of market prices	Traditional methods
2.	Cost plus method	Comparison of the gross cost-effectiveness of the analyzed person with the market level of gross cost-effectiveness.	
3.	Resale price method	Comparison of the gross profitability of the analyzed person with the market interval of gross profitability.	
4.	Transactional net margin method	Comparison of operating profitability indicators with market indicators.	Methods based on analysis of profitability of transactions
5.	Profit split method	The distribution of the total profit of entities controlled by the transaction is proportional to their share in such profit.	

Source: processed by author

The use of transfer pricing by organizations leads to the formation of controlled transactions in them, which are called controlled transactions in Russian practice. The general meaning of “controlled transactions” is that these are cross-border and in-country transactions between interdependent parties, the prices of which are subject to state tax control.

A particularly important change in Russian legislation on the regulation of controlled transactions is the introduction of a comparative analysis. Such an analysis makes it possible to analyze the commercial and financial conditions of transactions, to assess the risks and functions performed by the parties to such transactions in order to make a decision on the compliance or non-compliance of the conditions of the controlled transaction with comparable transactions.

It seems important to formulate an approach to determining the internal corporate financial flow, which is understood as the movement of financial resources in connection with the inflow and (or) outflow of tangible and intangible assets in transactions between related parties.

At the same time, an intra-corporate transaction will mean the process of moving tangible and intangible assets within a single economic entity in the absence of movement of the corresponding cash flows.

Controlled transactions of companies are cross-border and intercountry transactions between related parties subject to state regulation.

So, controlled transactions of companies and transfer pricing are closely related. Essential in ensuring effective intragroup transactions is the use of the transfer pricing method.

Summing up, it should be noted that transfer pricing is a special mechanism for mutual settlements between interdependent persons, through the use of transfer prices. At the same time, transfer pricing is not a market process, since this process is not formed on the basis of supply and demand, but based on the goals of interdependent organizations.

5 CONCLUSIONS

Based on the analysis of foreign experience in regulating transactions between related parties, it seems possible to obtain a number of results (Table 3).

Table 3: Ranking of foreign tax systems for priority in choosing methods for regulating internal corporate transactions

<i>Group</i>	<i>Prioroty method</i>	<i>Countries</i>
1	Missing	France, Ireland, Brazil
2	Comparable Uncontrolled Price Method (CUP)	Venezuela, Spain, Italy, Kazakhstan, Bulgaria, Mexico, Montenegro, Russia
3	Best method rules	Argentina, India, Peru, Singapore, USA, South Africa, Chile, China, Japan, Portugal, South Korea, Norway
4	Traditional methods according to OECD guidelines	Germany, United Kingdom, Latvia, Denmark, Israel, Netherlands, Norway, Poland, Finland, Sweden, Malaysia
5	The most reasonable method among traditional OECD methods (method that provides the highest degree of certainty for the determination of an arm's length)	Austria, Belgium, Canada, Czech Republic, New Zealand

Source: Compiled by the author based on data from international companies PricewaterhouseCoopers (PWC), KPMG (KPMG), Ernst & Young (EY)

The choice of a method for regulating transactions between interdependent persons is one of the main stages in determining and justifying the mechanisms of internal corporate financial flows. In foreign practice, two groups of OECD methods

have gained international recognition: traditional and methods based on the analysis of transaction profitability.

The latest revisions of the OECD and UN Guides recommend the use of the most appropriate method for transfer pricing (TCO) (the most appropriate method for a particular case). This approach in the business community has come to be called the rule of the “best method”. However, only some countries have such a rule in their legislation. Most of the laws of foreign countries imply a special order of priority (gradation) of transfer pricing methods.

Figure 1 shows the states with the highest fines in the regulation of intra-company transactions. However, it is necessary to keep in mind the existence of legislation to reduce such fines.

The countries with the highest penalties in the area of regulation of internal corporate transactions are India, Singapore, Mexico, Italy, Venezuela, Ireland, Brazil, Argentina. Fines can be set:

- percentage of adjusted earnings of the company for controlled transactions (Canada, Germany, Bulgaria);
- percentage of the amount of unpaid tax (Australia, France, Italy, USA);
- fixed and percentage fines (Finland, Denmark).

In Brazil, if a corporation commits itself to pay arrears within 30 days, the fine is halved. In Singapore, a fine can be avoided if the taxpayer has data on controlled transactions. In Montenegro, fines are not legally established. In Latvia it is possible to halve the amount of the main fine if a tax violation in controlled transactions is committed for the first time.

It is not possible for companies resident in Argentina, Bulgaria, Brazil, Ireland and Montenegro to conclude APAs due to the lack of legislative regulation of these agreements. In most foreign countries, APAs is part of the laws governing transactions between related parties. Their conclusion can be implemented both on a free and on a paid basis. APAs are not charged for corporations in France, Spain, Italy, Kazakhstan, the United Kingdom, Denmark, the Netherlands, Singapore, and China.

An analysis of the experience of a number of countries made it possible to determine that the object of a modern transaction between interdependent entities is financial flows that are generated as a result of movement of tangible and intangible assets, including cash between interdependent economic entities. At the same time, the subjects of such transactions are interdependent persons capable of influencing financial flows in these operations. In this case, the subject of an internal corporate transaction is the movement of tangible and intangible assets, including cash, in order to obtain related benefits for related parties.

After analyzing internal corporate transactions, it was concluded that in the process of implementing this operation, interdependent persons interact with the internal and external environment. The external environment of the transaction between interdependent parties is a combination of factors at the macro level that directly (financial, tax, currency regulation, etc.) or indirectly (the political situation in the country, etc.) influence the process of its implementation.

The internal environment of such a transaction is a combination of factors at the corporate level that directly affect the process of implementing an internal corporate transaction.

An important issue in interstate relations is the development of uniform international standards for state financial regulation of internal corporate transactions.

The system of financial regulation of transactions between interdependent entities is a combination of subgroups and interrelated elements that form an integral structure of the mechanism of financial regulation of such transactions.

The system includes two separate subsystems: state financial regulation and intra-corporate financial regulation of controlled transactions, which take into account their own specifics of the processes of such regulation, heterogeneous subject-composition, methods, tools and indicators of financial regulation of controlled transactions.

By “state financial regulation of controlled transactions” is meant the continuous process of activity of state institutions that analyze, control and supervise the financial flows of interdependent companies in order to counter irregularities in the movement of financial flows and eliminate imbalances in their concentration.

In Russian legislation, state regulation of transactions between related parties is carried out on the basis of the provisions of the Tax Code of Russia, which are consistent with OECD documents. At the same time, in this area, Russian companies face serious financial and tax risks that are associated with the peculiarities of national legislation. An example is the method of intragroup cost allocation according to the principle of "cost sharing", which is provided for by the OECD leadership, but not reflected in Russian law. As a result, some companies incur significant financial costs in litigation due to the use of this method in their financial strategy (Supreme Arbitration Court of the Russian Federation 2013).

State financial regulation is carried out on the basis of multi-element groups of legal, informational and regulatory support. Legal support includes federal laws, international treaties (agreements), regulatory legal acts, orders and orders of relevant ministries and departments, documents of international organizations (OECD, UN, EU).

The group of elements of regulatory support includes orders and instructions of the Federal Tariff Service, the Regional Energy Commission, the requirements of

the Federal Antimonopoly Service, approved price guides for types of work (services), Bank of Russia regulations and other similar provisions.

Information support includes the financial statements of companies, information from price and information agencies, information from the Federal State Statistics Service, and information on financial markets.

Despite active work to improve the legislation that governs transactions between related parties, one should not allow the creation of an excessive tax or other burdensome burden on bona fide taxpayers when introducing new rules and regulations, especially into Russian legislation.

Intracorporate financial regulation of controlled transactions is a set of measures to influence the financial flows of interdependent companies by redistributing financial resources in controlled transactions taking into account the principles of state regulation of such transactions in order to optimize the financial costs of interdependent companies.

A study of foreign experience has proved the need to control transactions between related parties, both at the state and corporate levels. Such control will avoid double taxation. The essential is the correct choice of the method of regulation of internal corporate transactions, which justifies any of the mechanisms of internal corporate financial flows. Using the experience of foreign countries will allow Russian companies to regulate and improve their activities in the field of corporate finance, reduce fines both in Russia and in foreign countries.

The analysis showed that the introduction of common international approaches to the regulation of internal corporate transactions can reduce the financial risks of transnational corporations, which is especially important in the framework of international activities of companies.

REFERENCES:

1. ANYHONY R.N. – DEARDEN, J. (1984): *Management Control Systems*. R.D. Irwin, 235 p.
2. BAKHRUSHINA M.A. (2000): Transfer pricing in the practice of using Russian organizations. In: *Modern accounting*, 2000, 4, pp. 4-14.
3. BAUER, C. – LANGENMAYR, D. (2013): Sorting into Outsourcing: Are Profits Taxed at a Gorilla's Arm's Length? In: *Journal of International Economics*, 2013, 90, pp. 326-336.
4. BECKER, J. – DAVIES, R.(2014): Negotiation-Based Model of Tax-Induced Transfer Pricing. In: *UCD center for economic research Working paper Series WP14/11*.
5. BUTER. C. (2011): International transfer pricing and the EU code of conduct. In: *European integration studies*, 2011, 5, pp. 110-115.

6. DAVIES, R. – MARTIN, J. – PARENTI, M. (2014): *Knocking on Tax Heaven's Door: Multinational Firms and Transfer Pricing*, Mimeo.
7. DEVEREUX, M.P. - KEUSCHNIGG C. (2013): *The Armis Length Principle and Distortions to Multinational Firm Organization*. In: *Journal of International Economics*, 2013, 89, pp. 432-440.
8. DOGAN, Z. – DERAN, A. – KOKSAL, A. (2013): Factors Influencing the Selection of Methods and Determination of Transfer. In: *International Journal of Economics and Financial Issues*, 2013, 3, 3, pp.734-742.
9. EEC (2008): Protocol on the exchange of information on control of transfer pricing between tax and customs authorities of the Member States of the Eurasian Economic Community of June 6, 2006. In: *Bulletin of international treaties*, 2008, 8, pp. 16-19.
10. EUROPEAN COMMISSION (2013): European Union Joint transfer pricing forum, Statistics on APAs at the end of 2012. [Online.] In: *EC*, 2013. Available online: <http://ec.europa.eu/taxation_customs/taxation/company_tax>.
11. EUROPEAN COMMISSION (n.a.): Transfer pricing and developing countries. Final report. [Online.] In: *EC*, n.a. Available online: <https://ec.europa.eu/europeaid/what/economic-support/documents/transfer-pricing-study_en.pdf>.
12. GOLOVCHENKO, O. N. (2013): Transfer pricing in the European Union. In: *Financial Law*, 2013, 3, pp. 30-34.
13. KUZNETSOVA E. (2011): Application of transfer pricing in companies engaged in project activities. In: *Financial Newspaper*, 2011, 44.
14. MAMBETALIEVA, A.N. (2010): Transfer prices in EurAsEC countries. In: *Tax Bulletin*, 2010, 6.
15. MILGATE, M. – NEWMAN, P. – EATWELL, J. (1998): *The New Palgrave: A Dictionary of Economics. №. 1, A-D*. London: Macmillan Reference, 1998. 682 p.
16. MUKHIN G.A. (2012): The tax policy of the Russian state: transfer pricing. In: *Public Law Research*, 2012, 4.
17. NEPESOV, K.A. (2007): *Tax aspects of transfer pricing. A comparative analysis of the experience of Russia and foreign countries*. Moscow: Volters Kluver, 2007. 288 p.
18. OECD (2010): Model Tax Convention on Income and on Capital. [Online.] In: *OECD*, 2010. Available online: <<http://www.oecd.org/tax/treaties/oecdmtcavailableproducts.htm>>.
19. OECD (2010): Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. [Online.] In: *OECD*, 2010. Available online: <<http://www.oecd.org/ctp/transfer-pricing/transfer-pricing-guidelines.htm>>.

20. OECD (2011): Declaration on International Investment and Multinational Enterprises of June 21, 1976. [Online.] In: *OECD*, 2011. Available online: <<http://www.oecd-ilibrary.org>>.
21. OECD (2012): Revision of the special considerations for intangibles in chapter VI of the OECD Transfer pricing guidelines and related provisions. [Online.] In: *OECD*, 2012. Available online: <<https://www.oecd.org/ctp/transfer-pricing/50526258.pdf>>.
22. PWC (n.a.): Official website of the PWC. international company [Online.] In: *PWC*, n.a. Available online: <http://www.pwc.com/gx/en/tax/transfer-pricing>>.
23. TREPILKOV, A. – TONINO, H. – HALKA, D. (Ed.) (2013): United Nations Handbook on Selected Issues in Administration of Double Tax Treaties for Developing Countries. New York: UN, 2013.
24. UNITED NATIONS (2013): Model Double Taxation Convention between Developed and Developing Countries. [Online.] In: *UN*, 2013. Available online: <http://www.un.org/esa/ffd/tax/documents/bgrd_tp.htm>.
25. UNITED NATIONS (2013): Practical Manual on Transfer Pricing for Developing Countries. [Online.] In: *UN*, 2013. Available online: <http://www.un.org/esa/ffd/tax/documents/bgrd_tp.htm>.
26. VELLOSO, F.C. – BRIGAGAO, G.A. (1992): *Volume LXXVII Cahiers de Droit Fiscal International*. International Fiscal Association, 1992, 313 p.