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SUBJECT **Principles for the Examination of Income Allocation through Cost Sharing Agreements
between Internationally Associated Enterprises¹**

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With reference to the outcome of discussions with the highest revenue authorities of the *Länder*, the following rules are hereby in place for the application of section 1 of the External Tax Relations Act (*Aussensteuergesetz*) with regard to the examination of income allocation through cost sharing agreements between internationally associated enterprises:

The circular of 30 December 1999 (Federal Tax Gazette I, p. 1122) entitled 'Principles for the Examination of Income Allocation in the Case of Internationally Associated Enterprises' is repealed by this circular with effect from 31 December 2018. The following principles apply to fiscal years starting after 31 December 2018. Cost sharing agreements already in place upon publication of this circular in the Federal Tax Gazette will be honoured and treated in accordance with the circular of 30 December 1999 for a transitional period covering fiscal years prior to **31 December 2019**.

¹ This translation is provided merely for information purposes. Only the German language version is authoritative for the application of the law.

Chapter VIII of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2017 applies to the examination of income allocation through cost sharing agreements between internationally associated enterprises; the Guidelines are currently available at: <https://doi.org/10.1787/tpg-2017-en>.

In cases where several enterprises that form part of a multinational group work together in their common interest, jointly assume risk and make contributions

1. to the joint development of assets (sharing of development costs) or
2. to the joint use of services (sharing of service costs),

these contributions must be valued at arm's length prices and remunerated according to the benefits to be expected in each case.

Section 7 of the Principles for the Examination of Income Allocation in the Case of Internationally Associated Enterprises (administrative principles) of 23 February 1983 (Federal Tax Gazette I, p. 218) remains repealed.

This circular will be published in Part I of the Federal Tax Gazette. It is already available for download on the Federal Ministry of Finance website.

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This document was sent electronically; only the draft bears a signature.