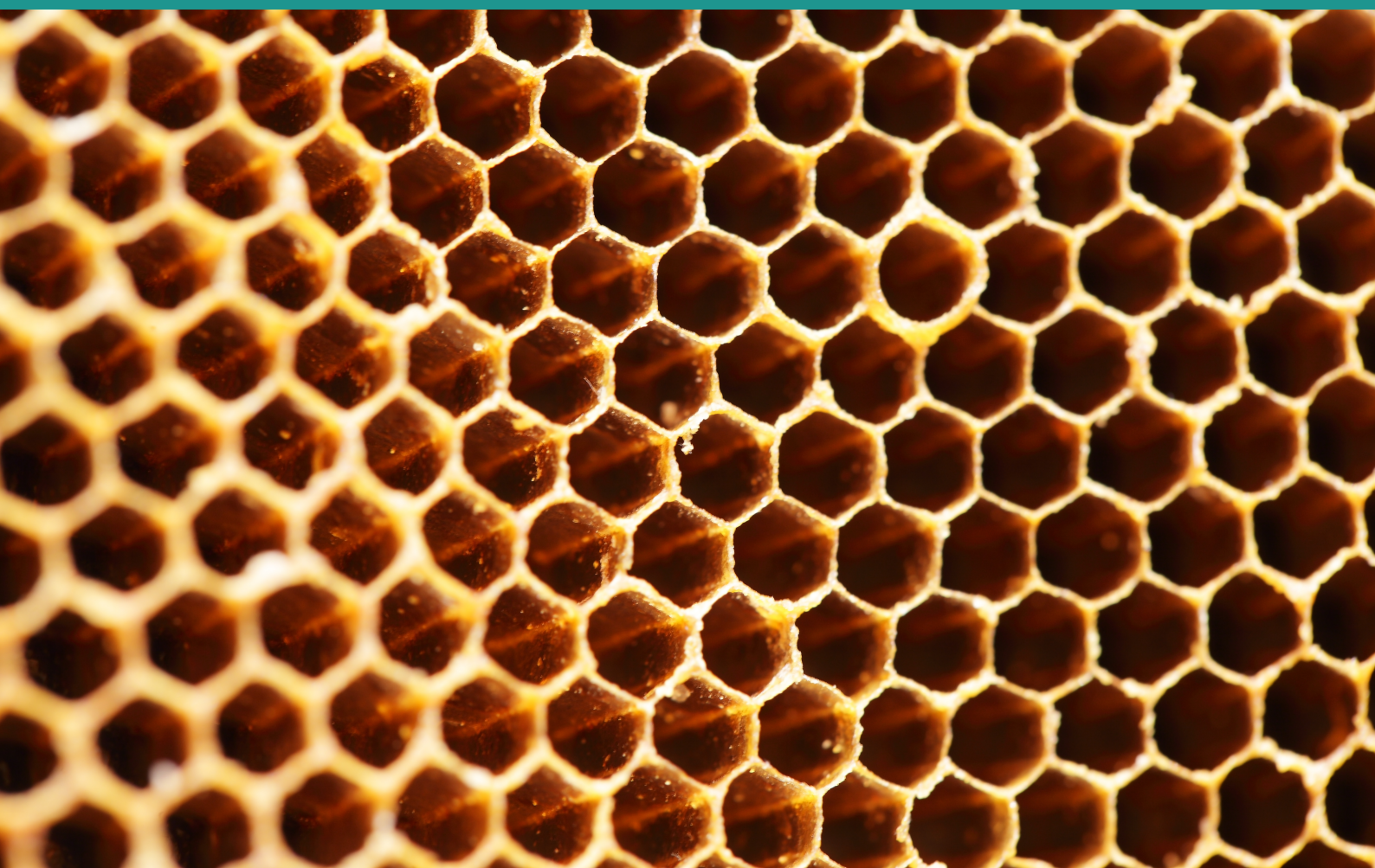


# Streamlining the processes of conducting Advance Pricing Agreements

REFORM/SC2021/048

**Technical Support Instrument**

*Supporting reforms in 27 Member States*



Funded by  
the European Union



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## Disclaimer

This Report was prepared with the financial assistance of the European Union via the Technical Support Instrument in cooperation with the European Commission's Directorate General for Reform Support (DG REFORM). The views expressed in this report are those of the consultants and do not necessarily reflect those of the European Union.

This project is implemented by AARC Ltd. in association with Quanterra Global.

Many of the recommendations included in the report are academic, based on international best practice, and are not a complete assessment of the current situation with regards to APA processes in Poland and Slovakia. Some of the ideas expressed in the recommendations made by the Project Provider have already been put in place in the APA processes of the Beneficiary Authorities. It is acknowledged that the implementation of certain recommendations may not be possible due to country specific policies or regulatory frameworks. It is hoped that this report can assist the Polish and Slovak authorities to assess what changes, if any, are required.



AARC



Quanterra  
Global



## Abbreviation list

APA	Advance pricing agreements
APMA	Advance Pricing Mutual Agreement
Beneficiary countries	Poland and Slovakia
BEPS	Base Erosion and Profit Shifting
Best practice countries	Germany (DE), India (IN), the Netherlands (NL), United Kingdom (UK), United States of America (USA)
DE	Germany
IN	India
MAP	Mutual Agreement Procedure
MNE	Multinational Enterprise
NL	The Netherlands
OECD	Organisation for Economic Cooperation and Development
OECD GL	OECD (2022), OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022, OECD Publishing, Paris. <a href="https://doi.org/10.1787/0e655865-en">https://doi.org/10.1787/0e655865-en</a>
TP	Transfer pricing
UK	United Kingdom
USA	United States of America



# 1 Introduction

This Deliverable 6 report constitutes the final report of the DG Reform project: Streamlining the processes of conducting Advance Pricing Agreements REFORM/SC2021/048 (“project”) which provides an overview and summary of the deliverables.

For each deliverable a description is given of the main activities performed, results achieved and if applicable the recommended follow-up action(s). Furthermore, Deliverable 6 includes a visual project summary fiche, which summarizes the project’s context, objectives, delivered support and achieved results.

## 2 Project overview

### 2.1 Project context

The purpose of this project is to help the beneficiary countries (Poland and Slovakia) in streamlining their APA procedures. The project aims to support both beneficiary countries in improving and optimizing their internal procedures (based on international best practices) and to strengthen the skills of tax officials of both beneficiary countries to effectively deal with the increasing numbers of APAs. Furthermore, the project aims to assist Poland in establishing a more digitalized APA process.


The project is carried out with funding by the European Union via the Structural Reform Support Programme and in cooperation with the Directorate General for Structural Reform Support of the European Commission (DG REFORM). The mission of the Directorate General for Structural Reform Support of the European Commission is to provide support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilizing EU funds and technical expertise. The underlying requests of Poland and Slovakia for technical support in the area of the revenue administration and specifically on the processing of advance pricing agreements (“APA”) fits fully into this mission.

Both beneficiary countries have existing APA practices. These practices are progressively growing and are expected to require substantial capacity in order to properly process all requests. The beneficiary countries anticipate that the increasing level of resources required to manage their APA practice may adversely impact their regular tax practices by limiting the available resources available for regular tax audits. A good functioning APA practice will likely have a positive impact on a country’s investment climate, which can attract foreign investments that will bring economic benefits to a country. It is therefore essential that the APA practices are as efficient as possible to limit the drain on resources while maintaining the positive impact on the investment climate and the opportunity for compliant taxpayers to obtain advance certainty. The APA practice is part of a country’s overall tax strategy and should be balanced with the more traditional tax audit strategy.

Having effective APA procedures in place will stimulate transparent discussions with taxpayers in advance and contribute to a more compliant and transparent tax practice that is aligned with EU standards. An efficient APA process will enable the beneficiary countries to better contribute to the international battle against tax evasion and tax abuse. Reaching up-front agreement with taxpayers will ensure compliance and international transparency due to the exchange of APAs within the EU.



## 2.2 Project objective

 <h1 style="margin: 0;">Funded by the European Union</h1> <p style="margin: 0;">Funded through the Technical Support Instrument of the European Union and managed by the European Commission's Directorate-General for Structural Reform Support (DG REFORM)</p>					
<b>Project title</b>	<b>Streamlining the processes of conducting Advance Pricing Agreements REFORM/SC2021/048</b>				
<b>Overall objective of the project</b>	The general objective of this service contract is to contribute to institutional, administrative and growth-sustaining structural reforms in Poland and Slovakia, in line with Article 3 of the TSI Regulation. The specific objective of this service contract is to assist national authorities in improving their capacity to design, develop and implement reforms in line with Article 4 of the TSI Regulation.				
<b>Specific objective of the project</b>	Assuming that such work/recommendations will be incorporated as part of Poland's and Slovakia's institutional and operational framework, the deliverables are expected to result in the following outcomes: <ul style="list-style-type: none"> <li>• Outcome 1: best practices implemented into internal procedures applied to APAs proceedings in Poland and Slovakia.</li> <li>• Outcome 2: digitalised APAs processes in Poland.</li> </ul>				
<b>Deliverables</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><b>Deliverable 1: Inception Report</b></p> <ul style="list-style-type: none"> <li>• Organise and participate in kick-off meeting</li> <li>• Discuss and agree with the beneficiary authorities on the countries to be analysed and the scope of the areas to be covered in the comparative analysis (Deliverable 2).</li> <li>• Draft the Inception Report (this document)</li> <li>• Finalise the inception report after receiving the feedback of DG REFORM in cooperation with the beneficiary authorities.</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <p><b>Achieved result:</b></p> <ul style="list-style-type: none"> <li>• Inception report, which includes the key findings and updates for the methodological approach to each deliverable, as well as on project management and stakeholder communication procedures.</li> </ul> </td> </tr> <tr> <td style="vertical-align: top;"> <p><b>Deliverable 2: Report with comparative analysis of APA procedures in selected countries</b></p> <ul style="list-style-type: none"> <li>• Perform a comparative analysis of the APAs procedures in the jointly identified 4 – 5 countries (in terms of legal framework, position in tax system, organization, internal procedures, public manuals, digital aspects, etc.)</li> <li>• Summarise the analysis in the report.</li> </ul> </td> <td style="vertical-align: top;"> <p><b>Achieved result:</b></p> <ul style="list-style-type: none"> <li>• Agreed and approved questionnaire for input from local country experts within the Quanteria Global network in respect of the selected jurisdictions.</li> <li>• Comparability analysis report regarding the APA procedures of the five selected countries.</li> </ul> </td> </tr> </table>	<p><b>Deliverable 1: Inception Report</b></p> <ul style="list-style-type: none"> <li>• Organise and participate in kick-off meeting</li> <li>• Discuss and agree with the beneficiary authorities on the countries to be analysed and the scope of the areas to be covered in the comparative analysis (Deliverable 2).</li> <li>• Draft the Inception Report (this document)</li> <li>• Finalise the inception report after receiving the feedback of DG REFORM in cooperation with the beneficiary authorities.</li> </ul>	<p><b>Achieved result:</b></p> <ul style="list-style-type: none"> <li>• Inception report, which includes the key findings and updates for the methodological approach to each deliverable, as well as on project management and stakeholder communication procedures.</li> </ul>	<p><b>Deliverable 2: Report with comparative analysis of APA procedures in selected countries</b></p> <ul style="list-style-type: none"> <li>• Perform a comparative analysis of the APAs procedures in the jointly identified 4 – 5 countries (in terms of legal framework, position in tax system, organization, internal procedures, public manuals, digital aspects, etc.)</li> <li>• Summarise the analysis in the report.</li> </ul>	<p><b>Achieved result:</b></p> <ul style="list-style-type: none"> <li>• Agreed and approved questionnaire for input from local country experts within the Quanteria Global network in respect of the selected jurisdictions.</li> <li>• Comparability analysis report regarding the APA procedures of the five selected countries.</li> </ul>
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	<p><b>Deliverable 3: Report with observations and recommendations for adoption of best practices into APAs procedures in Poland and Slovakia</b></p> <ul style="list-style-type: none"> <li>• Prepare and organise the workshop, including all the materials (agenda to be shared and agreed prior the workshop and presentations outline) and logistics (panels, workshop material drafting etc.)</li> <li>• Present the results of comparative analysis (Deliverable 2), participate actively in the workshop, facilitate and coordinate discussions, panels, brainstorming and break-out sessions.</li> <li>• Develop a baseline for the guidelines for taxpayers on APAs applications and/or baseline for manuals for tax officials.</li> </ul> <p>Summarise in a report (i) the conclusions and observations made during the workshop, (ii) the recommendations for adoption of best practices of APAs processes in Poland and Slovakia, tailored for the specific context and needs of each country.</p>	<p><b>Achieved result:</b></p> <ul style="list-style-type: none"> <li>• An interactive 3-day workshop with the beneficiary countries including active input from the Dutch APA team.</li> <li>• A report that summarized the conclusions and observations made during the workshop. The report provides 22 recommendations for adoption of best practices of APA processes in Poland and Slovakia, categorized in high impact, medium impact, low impact, and provides a baseline for the guidelines for taxpayers and tax officials on APA applications.</li> </ul>
	<p><b>Deliverable 4: Analytical report on an APA-dedicated registry (pilot phase in Poland)</b></p> <ul style="list-style-type: none"> <li>• Analyse the current situation (“as-is” analysis) and identify the business objectives.</li> <li>• Design of the “to-be” situation and prepare a transition plan.</li> <li>• Finalise the analytical report.</li> </ul> <p><b>Deliverable 5: Technical specifications for an APA-dedicated IT tool/ registry (pilot phase in Poland)</b></p> <ul style="list-style-type: none"> <li>• Formulate a business case for the new IT solution to support the registration of APA processes.</li> <li>• Define the business requirements for the new IT solution.</li> <li>• Elaborate technical specifications for building a new IT solution.</li> <li>• Propose a plan for the development and implementation of the new IT solution.</li> </ul>	<p><b>Achieved result:<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• A combined report (deliverable 4/5) that provides advice in relation to the optimization of the current APA process in Poland. In order to be able to provide any advice both the ‘as-is’ situation and the ‘to-be’ situation in respect of the APA process have been analysed and mapped. The report furthermore provides technical specification / recommendations as well as a real-life use case for reference.</li> </ul>

<sup>1</sup> During the Steering Committee on March 22, 2022, between the representatives of the Polish Tax Administration, AARC and Quantero Global, and DG Reform it was discussed and agreed to combine deliverable 4 and deliverable 5 into 1 deliverable (i.e., deliverable 4/5). For more information we kindly refer to paragraph 3.4.

	<b>Deliverable 6: Final deliverable</b> <ul style="list-style-type: none"><li>• Provide a report that includes<ul style="list-style-type: none"><li>• An executive summary of the main activities performed,</li><li>• The results achieved,</li><li>• The recommended follow-up actions, and</li><li>• A visual project summary fiche that summarizes the project's context, objective, delivered support and achieved results.</li></ul></li></ul>	<b>Achieved result:</b> <ul style="list-style-type: none"><li>• A final report providing an executive summary of main activities performed, the results achieved and recommended follow-up actions.</li><li>• The final report furthermore includes a visual project summary fiche.</li></ul>
<b>Project starting date</b>	June 17 <sup>th</sup> , 2021	
<b>Project duration</b>	20 months	

## 3 Summary of project activities

Part of Deliverable 6 is providing a summary of the project activities. Deliverables 1 through 4/5 have been finalized and provided to DG Reform and the beneficiary countries.

### 3.1 Deliverable 1: Inception report

Deliverable 1 consists of organising a kick-off meeting and preparing the Inception Report, which includes the key findings and updates for the methodological approach to each deliverable, as well as on project management and stakeholder communication procedures.

The following meetings were held:

- Introductory meeting with beneficiary country Slovakia on August 17, 2021
- Introductory meeting with beneficiary country Poland on August 20, 2021
- Kick-off meeting with both beneficiary countries on September 13, 2021.

During the kick-off meeting the beneficiary countries, DG Reform, AARC and Quantera Global shared, discussed and agreed on the overall project plan and the underlying scope, challenges, teaming and the related project management. During the kick-off meeting it was agreed that the countries to be analysed for the comparative analysis are:

- India
- Germany
- United Kingdom (hereinafter: “UK”)
- United States of America (hereinafter: “US”)
- The Netherlands

The draft version of the inception report was submitted on October 26, 2021. The inception report was approved on November 2, 2021, by Slovakia and on November 3, 2021, by Poland. The final version of the inception report was shared on November 26, 2021. The inception report includes the outlines, roles and responsibilities of the respective stakeholders as well as a detailed work plan for the project. As part of the inception report a visual summary fiche was also included. This “fiche” summarises the project’s context, objectives, main activities and expected results.

#### 3.1.1 Achieved result

- Inception report, which includes the key findings and updates for the methodological approach to each deliverable, as well as on project management and stakeholder communication procedures.

### 3.2 Deliverable 2: Report with comparative analysis of APA procedures in selected countries

Deliverable 2 consists of a report with a comparative analysis of APA procedures in the five selected countries in terms of legal framework, position in the tax system, organization, internal procedures, public manuals, digital aspects.

In order to perform the comparative analysis of the APA procedures, Quanterra Global prepared a questionnaire which acted as the base of the comparative analysis and provided the scope of the areas to be covered. The draft questionnaire was provided by Quanterra Global to the beneficiary countries and DG Reform for their review and input on October 1, 2021. Input was received from Poland and Slovakia on October 13, 2021. The input received was incorporated as much as possible into the final version of the questionnaire, which was provided to the beneficiary countries on October 26, 2021, as part of the final inception report.

The final questionnaire was sent to the relevant local senior country experts within the Quanterra Global network on October 26, 2021. All local senior experts in the countries under review have hands on experiences dealing with local APA procedures and were thus able to identify practical areas of improvements, but also put the APA practices in their local overall tax perspective. The local country experts were not required to actively engage with the local tax authorities in respect of the questionnaire. The answers to the questionnaires provided by the local country experts did not contain any formal opinions / positions by local tax authorities.

Based on the input from the local country experts a comparative analysis was performed. The analysis included among others: the legal framework, positioning of the APA practice within the tax system, organizational aspects, internal procedures, public manuals, and digital aspects.

The comparative analysis shows that the APA practises of the best practice countries are centralized and positioned autonomous from the general audit practice. The comparative analysis also shows that in the best practice countries, the decision-making responsibility in respect of APA lies with the central APA team, but local teams are actively involved. Furthermore, in addition to the APA legislation, all the selected best practice countries provide additional guidance on the APA application process. In general, the APA processes of these countries are broadly similar. The differences mostly relate to the (level of detail of) formal requirements.

The first draft of the comparative analysis was shared with DG Reform and the beneficiary countries on December 8, 2021. Input was received from Slovakia on December 17, 2021, and from Poland on December 21, 2021. The input from both beneficiary countries was incorporated as much as possible into a revised version, which was provided to the beneficiary countries on February 1, 2022.

The revised version was approved on March 11, 2022, and the final version of deliverable 2 was provided on March 21, 2022.

### 3.2.1 Achieved results

- Agreed and approved questionnaire for input from local country experts within the Quanteria Global network in respect of the selected jurisdictions.
- Comparability analysis report regarding the APA procedures of the five selected countries.

### 3.3 Deliverable 3: Report with observations and recommendations for adoption of best practices into APAs procedures in Poland and Slovakia

Part of deliverable 3 consists of facilitating an interactive workshop together with the beneficiary countries. Due to the COVID-19 pandemic was agreed to have a virtual workshop, which was held on February 21 till February 23, 2022.

The comparative analysis was used as a basis and an inspiration for the improvement of internal procedures in the area of APAs in Poland and Slovakia. During the workshop we facilitated and coordinated plenary discussions and breakout sessions, in which participants brainstormed and discussed the results of Deliverable 2, raised issues, made comments and provided more detailed input on the APA process of their country. The presentations used during the workshop were shared with the beneficiary countries on March 14, 2022.

The deliverable 3 report provides our general conclusions and observations made during the workshop. 22 recommendations were provided in view of streamlining the Polish and Slovakian APA practice, which recommendations relate to the following main topics:

1. The positioning of the APA practice
2. The organization of the APA practice
3. APA guidance
4. The use of informal communication
5. Monitoring
6. Bi-/multilateral APAs
7. Technical efficiency / use of IT-tools

The recommendations have been categorized in high impact, medium impact and low impact. In addition, a baseline was provided for the guidelines for taxpayers and tax officials on APA applications.

The first draft report of deliverable 3 was provided to both beneficiary countries on April 28, 2022. Input was received from Poland on May 23, 2022, and from Slovakia on May 25, 2022. A revised version of the draft report was shared with the beneficiary countries and DG Reform on June 8, 2022. Approval was received from Poland on June 23, 2022, and from Slovakia on June 27, 2022. The final version of deliverable 3 was provided on July 20, 2022.

#### 3.3.1 Achieved result

- An interactive 3-day workshop with the beneficiary countries including active input from the Dutch APA team.
- A report that summarized the conclusions and observations made during the workshop. The report provides 22 recommendations for adoption of best practices of APA processes in Poland and Slovakia, categorized in high impact, medium impact, low impact, and provides a baseline for the guidelines for taxpayers and tax officials on APA applications.

### 3.4 Deliverable 4/5: Analytical report on APA-dedicated registry / APA-dedicated IT-tool

Deliverable 4/5, which only applies to beneficiary country Poland, includes an analytical report on an APA-dedicated registry with technical specifications for an APA-dedicated IT tool / registry. This report analyses the 'as-is' situation in Poland and provides recommendations to establish the 'to-be' situation. When implementing the recommendations, mentioned in the Deliverable 4/5 report, the authorities will establish / further improve a controlled and monitored environment that allows to mitigate key man dependency, increase efficiency and centralize the process and documentation flow. Further, by implementing the technical infrastructure the process will be facilitated by a centralized, structured and monitored system. This system will combine documentation, information and workflow into one user intuitive environment. Not only will the system take care of a lot of manual (and therefore time consuming and risk involved) actions, it will streamline the application and review process in a controlled way.

Initially it was suggested to organize two meetings with the Polish APA team and the Polish IT specialists to determine the current preconditions of an IT solution and the 'to-be' situation. Based on the input of beneficiary country Poland on the suggested approach, a Steering Committee meeting was organized. During the Steering committee meeting on May 20, 2022, it was agreed to that no specific meetings would be scheduled and that questionnaires were to be provided to the Polish APA team as an alternative. Furthermore, it was agreed to adjust the scope of deliverable 4 and 5 and to combine the two deliverables into one report.

The questionnaire was provided to beneficiary country Poland on August 8, 2022. On August 31, 2022, input to the questionnaire was received from Poland. On October 17, 2022, the first draft deliverable 4/5 report was provided to beneficiary country Poland.

On November 9, 2022, the beneficiary country Poland provided feedback on the first draft deliverable 4/5. This feedback indicated that existing IT system(s) are already being used in (part of) the Polish APA process. On November 23, 2022, an additional questionnaire was shared with beneficiary country Poland in order to gain more understanding about the use of existing IT system(s) in the APA process.

On December 2, 2022, the beneficiary country Poland provided answers to the additional questions. The input received from the Polish tax administration was incorporated as much as possible in the revised version of the draft report, which was shared with beneficiary country Poland on February 7, 2023.

Based on input provided by beneficiary country Poland, a final draft version of deliverable 4/5 was provided on March 16, 2023. Approval was received from Poland on March 23, 2023. The final version of deliverable 4/5 was provided on March 27, 2023.

#### 3.4.1 Achieved result

- A combined report (deliverable 4/5) that provides advice in relation to the optimization of the current APA process in Poland. In order to be able to provide any advice both the 'as-is' situation and the 'to-be' situation in respect of the APA process have been analysed and mapped. The report furthermore provides technical specification / recommendations as well as a real-life use case for reference.



## 4 Recommended follow-up actions

The project has resulted in the following recommendations:

### 4.1 General recommendations

#### High impact

1. APA teams should actively involve the relevant local tax office as early as possible for maximal efficiencies and knowledge sharing while maintaining full responsibility at the APA team. [HIGH IMPACT]
2. Promote the use of informal communications<sup>2</sup> on the APA instrument. Determine what informal communications in respect of APAs are to be distinguished and whether or not specific formats are required in respect of the information to be provided by the multinational enterprise (“MNE”). Include detailed guidance on the use of informal communication in the guidance to MNEs. [HIGH IMPACT]
3. Consider to make a pre-filing meeting a mandatory part of the APA process and determine the minimum level of information required to be able to have an efficient and effective pre-filing meeting. Limit the preparation time of the APA team in respect of a pre-filing meeting by limiting the information to be reviewed in advance. Evaluate the best practices as established by the APA team so far and determine whether they may be shared with MNEs. Clearly communicate this in the external guidance to MNEs. Clearly communicate also that initial reflections during a pre-filing meeting would not be binding on the APA team and the pre-filing meeting intends to focus on a high-level initial review of the case as presented without further detailed investigation. [HIGH IMPACT]
4. Establish practical working agreements with key states in respect of bilateral/multilateral APAs and MAP processes. [HIGH IMPACT]
5. Implement a dedicated IT-tool for the APA process, that can support the process and can also be used for filing, management, and reporting purposes. [HIGH IMPACT]

#### Medium impact

6. Clearly define the purpose and scope of the APA instrument within the beneficiary country’s overall tax strategy. [MEDIUM IMPACT]
7. Clearly communicate the purpose and scope of the APA instrument both internally within the tax administration and externally towards the taxpayers. [MEDIUM IMPACT]
8. *(Specific for Poland):* Establish sufficient interaction between the APA audit team and the local audit teams in order to combine APA expertise and detailed knowledge of the taxpayer. The APA audit

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<sup>2</sup> For example, a pre-filing meeting or an informal phone call between an APA team member and a representative of the MNE.

team may be ultimately responsible for the audit of APAs and have final mandate to take decisions, but they should involve local tax teams by default in their APA audit. [MEDIUM IMPACT]

9. *(Specific for Slovakia):* Separate the APA team from the audit practice. This will provide clarity and focus of the people involved. When separated the two practices should cooperate efficiently to optimize the use of available knowledge and expertise within the organization. [MEDIUM IMPACT]
10. Establish a structural cooperation/interaction between the APA units and the MAP unit and seek to combine APA and MAP efforts using roll backs and roll forwards where possible. [MEDIUM IMPACT]
11. Establish clear internal guidance within the tax administration who is responsible for the APA decision, what parties need to be involved and when such involvement should take place. The guidance should enable officials to understand the rationale for cooperation, identify cases for cooperation as early as possible and have a clear understanding of responsibilities involved. This could include the implementation of other recommendations. The internal guidance may be combined with the external guidance into one overall general guidance for both tax administration and MNEs. If combined, it would provide for one central document that is transparent to both tax officials and MNEs and easier to maintain compared to multiple separate documents that address similar issues. If some of the internal guidance would be classified as confidential this could be separated in an additional document that would only be available to the tax administration. [MEDIUM IMPACT]
12. Establish clear external guidance for MNEs, indicating who is responsible for the APA decision, what parties need to be involved, and when such involvement should take place. The guidance should enable MNEs to determine whether a case will have potential, what needs to be included in a request and how a request needs to be filed. It also should clarify the options available to informally explore the individual potential of their case through pre-filing meetings and possibly additional efforts. This could include the implementation of other recommendations. Consideration can be given to combining the external guidance with the internal guidance into one overall general guidance for both tax administration and MNEs. A combined guidance would provide for one central document that is transparent to both tax officials and MNEs and easier to maintain compared to multiple separate documents that address similar issues. [MEDIUM IMPACT]
13. Make digital communication both internal and external a standard option that can be applied. Support the exchange of information with taxpayers via an online portal (encrypted). Maintain the use of online virtual meetings using applications of Teams, Zoom or other. [MEDIUM IMPACT]

#### **Low impact**

14. Explicitly position the APA practice as a discretionary instrument, which means that the decision to either accept or reject an APA application by the APA team, is final for the taxpayer (MNE) without the option of appeal. This will avoid unnecessary discussions with taxpayers and enable the tax authorities to fully align the APA practice with the country's overall tax strategy. [LOW IMPACT]

15. *(Specific for Slovakia)*: Enter into specific APA agreements with taxpayers for every APA granted that will be binding for both APA team and taxpayer. [LOW IMPACT]
16. Align the APA practice explicitly with international standards and communicate this. [LOW IMPACT]
17. *(Specific for Poland)*: Further separate the Polish APA team from the audit practice such that the APA team is not dependent on the approval of the APA Audit team for finalizing the APA. Involving the (APA) audit team to best address the controlling aspects of an APA does make sense. However, the APA team should be ultimately responsible and have the mandate to decide on granting the APA. [LOW IMPACT]
18. *(Specific for Slovakia)*: Consider concentrating all APAs (unilateral/bilateral/multilateral) and MAPs under one central department. [LOW IMPACT]
19. Include some soft skill training for the tax officials that are involved in the APA processes. This could involve separate training on the required skillset next to the already organized training on technical content. [LOW IMPACT]
20. Have the APA audit team actively involve the local tax office as early as possible for maximal efficiencies and knowledge sharing while maintaining full responsibility of the APA audit at the APA audit team. [LOW IMPACT]
21. Evaluate the audit risk in respect of APAs and determine whether it is necessary to have all APAs audited annually. Usually, an audit may involve multiple years during one audit. If it might suffice to conduct an audit less frequently this could free up time and allow to focus more on those cases that would indeed require scrutiny. When audits do not need to take place annually this may allow less detailed standard annual reporting on APA compliance. This could lighten the compliance burden for MNEs. [LOW IMPACT]
22. Establish a clear process for converting bilateral/multilateral APAs into local unilateral APAs with the local taxpayers involved in order to obtain clear commitment from the relevant taxpayers to the final agreement between the countries. [LOW IMPACT]

## 4.2 IT specific recommendations (Poland)

### Recommendation Phase 1: pre-filing / informal application

At a basic level, a system that can be used to register a request for a meeting and can automatically record the registrations and responses with a standard set of data / information. The applicant should be able to add relevant documentation to the request for a pre-filing meeting. Furthermore, the registration activity should lead to a situation where the system creates an ID for the specific request that is traceable throughout the system. This unique ID should be used within the full process and connected to documentation, communication, approvals and refusals. Finally, the system required should keep track of filing and action related timestamps.

#### Recommendation Phase 2: formal submission

We would like to refer to the recommendations relating to phase 1 (registration system, unique ID and audited process). There should be central system to register both pre-filing (if applicable) as well as the formal submission. The system should contain a registration portal that not only allows the applicant to file the prefilling/submission, but also inform the applicant of all steps in the process, what documents are required and what other actions are required from the applicant as well as expected from the authorities. The registration system should be the same for the various filing options. This will provide for one centralized process that keeps track of the steps in the application and activates the right roles and responsibilities at the various departments.

#### Recommendation Phase 3: evaluation and negotiation

The system described in the phase 2 recommendations, should check whether all information has been completed and whether the documentation has been uploaded. The user with supervisor role should be able to identify which person(s) within the authorities is / are assigned to the application. The assigned user should be able to run through a series of identified steps with review items. All communications between the APA handler(s) and applicant should run through the system to maintain an overview and allow monitoring of the status of individual cases. Also, internal quality controls should be part of the system (a key control is the four eyes principle).

#### Recommendation phase 4: formal agreement

The formal agreement format can be converted into a smart template that consists of a part that is standard as well as a part that is custom. The standardized part will allow to maintain consistency and efficient processing, whereas the customized parts relate to the items that are case specific. The use of electronical sign-off and digital signatures would allow documents to be finalized and formalized digitally and processed within the portal. A monitoring system should register the status, the run-through time and final timestamp.

### 4.3 Follow-up actions

We recommend that both beneficiary countries Poland and Slovakia evaluate the recommendations provided in the deliverables and put them in perspective of their overall tax policy and strategy.

The implementation of certain recommendations may depend on country specific policies and regulatory frameworks.

A key element would be to ensure the full use of existing internal knowledge and experience to efficiently assess and process an APA request. In this respect, internal knowledge and experience could be available throughout the entire government organization. However, the full responsibility for the APA process should remain with the APA team.

Another key element would be to (further) evaluate existing IT systems for their ability to address the recommendations made in deliverable 4/5. This would include functionalities related to workflow management, document management and monitoring/reporting.

Specifically for Poland we would recommend further evaluation and analysis of the EZD system to identify any elements within the APA process that are not or not sufficiently covered by the EZD system. This would help to identify and scope the need for potential additional IT systems that would complement and complete the support and optimization of the APA process.



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