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THE IMPACTS OF BRAZIL'S NEW TRANSFER PRICING LEGISLATION IN LIGHT OF OECD GUIDELINES

OS IMPACTOS DA NOVA LEGISLAÇÃO DE PREÇOS DE TRANSFERÊNCIA NO BRASIL COM BASE NAS DIRETRIZES DA OCDE

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RESUMO

A *Lei nº 14.596* (2023) e a *Instrução Normativa da Receita Federal do Brasil (RFB) nº 2.161* (2023) reformularam a legislação brasileira de preços de transferência, alinhando-a às diretrizes da Organização para a Cooperação e Desenvolvimento Econômico (OCDE). Fundamentado em revisão de literatura e análise documental – com base nas diretrizes da OCDE (2022), no Projeto *Base Erosion and Profit Shifting* (BEPS) e em estudos de Schäfer et al. (2021), Moura (2023) e Jesus e Schäfer (2024) –, o estudo analisa os impactos contábeis e fiscais dessa transição por meio de um estudo de caso de uma empresa de capital aberto do setor de lubrificantes. Do ponto de vista contábil, a adoção do princípio *arm's length* exige registros fundamentados em análises de comparabilidade e na documentação das transações *intercompany*, rompendo com o uso de margens fixas do modelo anterior. Do ponto de vista fiscal, verificam-se impactos na apuração do Imposto sobre a Renda da Pessoa Jurídica (IRPJ) e da Contribuição Social sobre o Lucro Líquido (CSLL), maior risco de ajustes tributários e elevação dos custos de *compliance*. A transição impõe maior rigor técnico em relação ao modelo anterior – baseado em métodos prescritivos e margens fixas –, o que demanda análises econômicas de comparabilidade e o uso de bases de dados internacionais e documentação robusta. Conclui-se que a harmonização com padrões internacionais promove segurança jurídica e competitividade, mas impõe desafios significativos de capacitação e de governança tributária.

PALAVRAS-CHAVE

Preços de transferência. OCDE. Lei nº 14.596/2023.

ABSTRACT

The Brazilian transfer pricing legislation underwent major reform with the enactment of *Law No. 14,596* (2023) and the issuance of the *Brazilian Federal Revenue (RFB) Normative Instruction No. 2,161* (2023), which aligned the country with the Organization for Economic Co-operation and

Development (OECD). This study aims to analyze the accounting and tax impacts of implementing the new model, highlighting its differences from the previous system and the challenges Brazilian companies face during the adaptation process. The research is classified as descriptive and exploratory, using a qualitative approach, based on a literature review and documentary analysis. To illustrate the practical effects, a case study was developed based on a publicly traded company in the lubricants sector, whose identity is kept confidential. The results showed that the transition to the OECD-based model requires greater technical rigor, economic comparability analyses, and robust documentation, replacing fixed margins with market-based parameters obtained through methods such as Comparable Uncontrolled Price (CUP), Cost Plus Method (CPL), and Transactional Net Margin Method (TNMM). It was observed that the adoption of the new regime increases transparency and tax predictability but also imposes significant compliance challenges, particularly regarding data collection, technical training, and operational costs. It is concluded that aligning Brazilian transfer pricing rules with international standards tends to enhance legal certainty and competitiveness, provided that continuous investments in technology, training, and tax governance accompany it.

KEYWORDS

Transfer pricing. OECD. Law No. 14,596/2023.

INTRODUCTION

The recent reform of Brazilian transfer pricing legislation, through the adoption of a model aligned with the Organization for Economic Co-operation and Development (OECD) guidelines, represents a significant transformation in the treatment of related party transactions. This transition seeks to increase transparency, reduce distortions, and bring Brazil closer to international practices, requiring companies to adopt greater technical rigor and adapt to new analytical methods.

Brazilian transfer pricing legislation underwent a substantial restructuring with the enactment of *Law No. 14,596* (2023) and its subsequent regulation by the *Brazilian Federal Revenue (RFB)* by *Normative Instruction No. 2,161* (2023), thereby aligning

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the country with OECD guidelines. This reform represents a structural change in the national tax system, with direct effects on the accounting and tax procedures of companies engaged in related party transactions abroad. The model previously adopted in Brazil, which relied on fixed calculation methods and predominantly prescriptive rules, is gradually being replaced by a more dynamic system centered on the arm's length principle, requiring greater economic analysis, market comparability, and robust technical documentation (Moura, 2023; OECD, 2022).

The transition to this new model imposes considerable challenges for Brazilian companies, requiring significant adjustments in operational, technical, and strategic processes. Adapting to the new legislation involves substantial changes to transfer pricing calculation methods, in the control of intercompany transactions, and in tax accounting procedures (Jesus & Schäfer, 2024). Accountants and tax planning specialists must now navigate increased regulatory complexity, including the need to perform comparability analyses, justify profit margins, use international databases, and prepare detailed reports that meet the new standards of transparency and documentation (Giancomelli & De Aguiar, 2023; Schäfer et al., 2021).

In this context of regulatory transition, it becomes essential to understand how Brazilian companies are internalizing these changes in their accounting and tax practices. The application of the new model requires not only the revision of technical procedures but also the adoption of a strategic approach to tax risks and the growing demand for international compliance. Therefore, investigating the practical effects of the new legislation on corporate processes is crucial for assessing its effectiveness, identifying the main challenges organizations face, and understanding the impacts on the dynamics of transactions between related parties.

Given this scenario, the present research aims to analyze the impact of the new transfer pricing legislation on accounting and tax procedures in Brazil, in line with OECD guidelines. The study adopts a theoretical and documentary approach, relying on legal sources, technical articles, academic publications, and official manuals issued by the RFB service and the OECD. The analysis is limited to the national context and to legislation in force from 2023 onward, focusing on the normative and practical aspects of the transition from the traditional model to the new international standard.

Thus, this study seeks to answer the following research question: **How has the new transfer pricing legislation in Brazil, aligned with OECD guidelines, affected the accounting and tax procedures for transactions between related parties in Brazilian companies?**

The main objective of this research is to analyze the effects of the new legislation on the methods used to calculate, control, and record transfer pricing, highlighting the challenges companies face and the practical implications of adapting to the new model.

The specific objectives of the study are to present the foundations of the model previously in force until 2023, to describe the main pillars of the new legislation introduced by *Law No. 14,596* (2023), to explain the principal changes in calculation methods, to identify the challenges associated with corporate adaptation, and to analyze the effects of the reform on tax and accounting compliance.

The relevance of this topic stems from the depth and recency of the regulatory change. Adopting OECD guidelines places Brazil within the international regulatory framework, increases its attractiveness to investors, and requires greater rigor in corporate tax management (Moura, 2023; OECD, 2022). However, it also increases the complexity and cost of compliance, demanding a new technical profile from accounting professionals (Giancomelli & De Aguiar, 2023; Jesus & Schäfer, 2024). From an academic perspective, this study seeks to address gaps in the literature on Brazil's adaptation to international transfer pricing standards and to stimulate debate on their effects on fiscal transparency, tax equity, and competitiveness (Reina et al., 2023). From a social perspective, the topic is relevant because it directly influences public revenue collection and, consequently, the financing of public policies, while raising discussions about tax justice and corporate responsibility (Giancomelli & De Aguiar, 2023; Moura, 2023).

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LITERATURE REVIEW

The theoretical framework of this study aims to support the analysis of transfer pricing from accounting, tax, and regulatory perspectives, with an emphasis on the transition from the traditional Brazilian model to the standards established by the OECD. In this context, the study examines the previous regulatory framework, international guidelines, technical aspects of the new legislation, and practical impacts of its implementation.

The traditional Brazilian transfer pricing system

Brazilian transfer pricing legislation was introduced by *Law No. 9,430* (1996) in response to growing concerns about tax evasion in transactions between related companies located abroad. The primary objective was to prevent the artificial shifting of profits to low-tax jurisdictions, thereby protecting the national tax base.

According to Schäfer et al. (2021), the traditional Brazilian transfer pricing model was developed with a focus on fiscal practicality and administrative control, adopting objective methods and fixed profit margins that did not require in-depth economic analysis. Although this approach simplified tax enforcement, it ultimately created significant economic distortions, particularly in complex transactions involving intangible assets, shared risks, and strategic functions.

Regulatory structure of the pre-OECD model

The traditional transfer pricing model in Brazil relied on three main methods: the Comparable Uncontrolled Price (CUP), the Resale Price Method (RPM), and the Cost Plus Method (CPM), along with specific methods such as the Import Price under Quotation (PCI) and the Export Price under Quotation (PECEX), which were applied to commodity transactions. All these methods used fixed profit margins, disregarding functional analyses and economic comparability criteria (Giancomelli & De Aguiar, 2023; OECD, 2022).

Although this structure provided a certain degree of predictability for tax authorities, it presented significant limitations. As noted by Jesus and Schäfer (2024), the rigidity of the regulatory framework and the absence of functional analysis limited the model's ability to adapt to more complex transactions, particularly those involving intangible assets or shared risks.

Furthermore, the Brazilian model diverged from the arm's length principle established by the OECD guidelines, which requires that the conditions of transactions between related companies be comparable to those practiced between independent entities (OECD, 2022). As emphasized by Moura (2023) and Silva (2023), this misalignment reduced Brazil's attractiveness for foreign investment. It increased the likelihood of conflicts with other jurisdictions, particularly regarding double taxation and regulatory inconsistency.

The OECD (2022) itself had already warned in technical publications about the risks of maintaining transfer pricing models that are not aligned with international standards, highlighting consequences such as legal uncertainty, economic distortions, and barriers to international trade.

The influence of the OECD Transfer Pricing Guidelines

The OECD Transfer Pricing Guidelines state that transactions between related parties should be evaluated as if they were conducted between independent parties under normal market conditions, in accordance with the arm's length principle (OECD, 2022). This principle underpins the use of methods grounded in functional analysis, risk assessment, and economic comparability.

According to the OECD (2022), the arm's length principle seeks to ensure that the profits allocated to each jurisdiction accurately reflect the actual value contribution of the parties involved in the global value chain. This approach aims to guarantee a fair allocation of the taxable base among related entities, based on the functions performed, assets employed, and risks assumed by each party in the transaction.

The BEPS project and the fight against tax base erosion

Through the Base Erosion and Profit Shifting (BEPS) Action Plan, the OECD introduced 15 actions to combat tax avoidance practices, with Action 13 specifically addressing transfer pricing documentation requirements (OECD, 2015).

According to Barros and Lima (2022), the BEPS initiative transformed the international tax debate by requiring greater transparency, information exchange, and alignment with multilateral standards among participating countries. The implementation of the three-tiered documentation structure — comprising the master file, local file, and country-by-country (CbC) report — became one of the key milestones of this process.

The adoption of OECD guidelines aims to align Brazil with international best practices, increase legal certainty, and reduce potential conflicts with the tax authorities of other jurisdictions (Castro, 2023). According to the OECD (2022), the BEPS initiative significantly reshaped the global tax landscape by requiring member countries to enhance fiscal transparency, strengthen information exchange mechanisms, and adapt their regulatory frameworks to multilateral monitoring standards. One of the main outcomes of this initiative was the implementation of a three-tiered documentation framework, as previously mentioned, designed to improve global monitoring of multinational enterprise operations. As Moreira (2024) argues, this convergence also responds to a strategic demand for a more transparent and reliable business environment, particularly among multinational companies that require logical alignment between accounting and tax regulations in the jurisdictions where they operate.

The new transfer pricing legislation in Brazil

Structure of Law No. 14,596 (2023)

Law No. 14,596 (2023) was enacted to fully replace Brazil's previous transfer pricing regime. The new legislation incorporates the five main methods established by the OECD Transfer Pricing Guidelines: CUP, RPM, CPM, the Transactional Net Margin Method

(TNMM), and, in specific cases, the Profit Split Method (PSM). All methods must now comply with comparability criteria and functional analysis requirements (*Normative Instruction RFB No. 2,161*, 2023).

In addition, the law establishes criteria for identifying the tested party, making profit adjustments, analyzing contracts, controlling intangible assets, and assessing financial and economic risks, in accordance with the provisions of Chapter I of the OECD Transfer Pricing Guidelines.

Normative Instruction RFB No. 2,161 (2023)

Normative Instruction RFB No. 2,161 (2023) establishes procedures for implementing the new transfer pricing legislation, including the parameters for the use of databases, contract analysis, margin testing, and the obligation to prepare transfer pricing documentation files.

According to Jesus and Schäfer (2024), this regulation marks a new phase in the RFB service's approach, characterized by a stronger focus on evidence-based, data-driven tax audits, replacing previous practices that were more automated and standardized.

Operational and technical challenges for businesses

Adaptation of systems and processes

The transition to the new model requires companies to restructure their internal calculation and control systems, including pricing structures and enterprise resource planning (ERP) systems, and to establish formalized internal transfer pricing policies. This process involves, for example, identifying key functions, conducting benchmarking analyses, and using reliable market data sources (Giancomelli & De Aguiar, 2023).

Technical training and capacity building

With the new legislation, professionals in the tax and accounting fields are required to master concepts involving accounting, legal, and economic knowledge, thereby

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developing a broader technical background. According to Schäfer et al. (2021), this multidisciplinary profile is essential for ensuring compliance and mitigating risks.

The penalties for non-compliance with the new rules include fines based on operational revenue and tax disallowances. In this context, Reina et al. (2023) emphasize that companies that do not invest in effective compliance will be more exposed to legal, financial, and reputational risks.

Accounting, legal, and social impacts

Brazil's alignment with OECD standards also strengthens the relationship between financial accounting and tax assessment. Accounting records become central to justifying the prices applied, requiring consistency between declared data and the economic foundations of transactions (Moura, 2023).

Beyond the technical effects, adherence to international standards enhances Brazil's attractiveness as an investment destination by providing greater legal certainty and regulatory clarity. According to Moreira (2024), this tends to reduce litigation and improve the country's fiscal image internationally.

Finally, compliance with OECD standards helps combat base erosion, increasing tax revenue and promoting tax fairness. For Giancomelli and De Aguiar (2023), such measures have direct implications for the State's capacity to finance public policies and reduce social inequalities.

Previous studies

Brazilian academic production on transfer pricing has intensified in recent years, driven by Brazil's adherence to OECD guidelines and the enactment of *Law No. 14,596* (2023). Several studies have contributed to understanding the impacts on accounting, corporate governance, and tax fairness.

Giancomelli and De Aguiar (2023) conducted a case study of an automotive filter company, demonstrating the practical challenges of adapting to the new legislation. The

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authors highlight the need for integration among accounting, legal, and operational departments to ensure compliance and traceability of transactions.

In a quantitative study, Schäfer et al. (2021) examined the extent to which Brazilian exporting companies comply with the arm's length principle. The results indicate that, despite increased attention to the topic, significant gaps remain in the practical application of the new criteria, especially among medium-sized companies.

Jesus and Schäfer (2024) also contributed a study focused on the accounting disclosure of transfer pricing by publicly traded Brazilian companies. They found that although transparency has increased following the regulation of *Law No. 14,596* (2023), there are still divergences in disclosure practices and in the standardization of reports.

Additionally, Moura (2023) conducted a theoretical analysis of the accounting foundations of the new Brazilian model, highlighting accounting's role as an instrument for tax compliance and as a support for legal certainty. According to the author, adopting the arm's length principle requires a cultural transformation in how companies and tax professionals approach intercompany transactions.

These studies demonstrate that the topic is current, relevant, and still evolving academically. This research, by focusing on the theoretical and normative analysis of the new legislation and the operational challenges faced by Brazilian companies, contributes to this debate by integrating the key legal, accounting, and tax dimensions of transfer pricing.

RESEARCH METHODOLOGY

This study is structured according to the classification proposed by Raupp and Beuren (2003), taking into account the research objectives, the technical procedures used, and the approach to the research problem.

Regarding its objectives, this study is classified as both descriptive and exploratory. It is descriptive because it seeks to present the main characteristics of the new transfer pricing legislation in Brazil, established by *Law No. 14,596* (2023), outline the foundations of the previous model, explain the technical aspects of the new system based on OECD

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guidelines, and identify the challenges companies face during the transition phase. It is also exploratory, as it aims to broaden understanding of a topic that is still recent in the national context, allowing for the generation of hypotheses and the identification of potential impacts on tax and accounting practices.

In terms of technical procedures, this research is both bibliographic and documentary. It is bibliographic because it is based on books, scientific articles, and academic publications related to tax accounting and international tax law. It is also documentary, as it uses legal and regulatory texts governing transfer pricing as primary sources, such as *Law No. 14,596* (2023), *Normative Instruction RFB No. 2,161* (2023), and technical guidelines issued by the OECD and the RFB service. In this sense, it is a literature review that aims to gather and critically analyze the existing body of knowledge on the subject, providing theoretical support for the analysis conducted.

Regarding the approach to the research problem, a qualitative perspective is adopted, with an emphasis on interpreting legal and theoretical content. The objective is to understand the meanings and implications of the new legislation without relying on data quantification, prioritizing critical and comparative analysis of normative frameworks.

The study's temporal scope covers the period following the enactment of the new legislation, starting in 2023. The analysis is restricted to the national context and considers the impacts on the accounting and tax procedures of Brazilian companies engaged in transactions with related parties abroad.

In addition, a case study was conducted on a real company operating in the oil and lubricants sector, hereafter referred to as Company XYZ, to preserve confidentiality. Data were collected through analysis of the company's internal transfer pricing documentation, public financial reports, and management accounting records, as well as interviews with members of the tax, controllership, and legal departments conducted from January to August 2024. This primary data collection approach strengthens the research's empirical foundation and enables a more rigorous examination of how the new legislation has been applied in practice.

CASE STUDY: COMPANY XYZ

This section presents a case study of Company XYZ, a publicly traded Brazilian corporation in the lubricating oil and automotive specialties sector. The company's identity is withheld to protect confidentiality, in accordance with ethical research standards.

Characterization of Company XYZ

Company XYZ is a publicly traded Brazilian corporation listed on the *Brasil, Bolsa, Balcão* (B3) stock exchange and operates in the lubricating oil and automotive specialties sector. Its integrated operations include blending, packaging, distribution, and the export of finished products, as well as the import of strategic raw materials, primarily base oils and chemical additives. The company is part of a multinational group headquartered in Brazil that centralizes the negotiation and supply of high-value-added technical inputs for its subsidiaries.

In fiscal year 2023, Company XYZ reported net revenue of approximately BRL 3.2 billion, of which about 25% (BRL 800 million) was attributable to intercompany transactions with related parties. These transactions primarily involve importing base lubricant oils and chemical additives from the parent company and exporting finished products to subsidiaries in Argentina, Chile, and Colombia. The average annual cost of imported raw materials was approximately USD 25 million, while export volumes to South American affiliates totaled approximately BRL 250 million. The company employs over 1,800 professionals across its industrial, commercial, and administrative operations, including a dedicated transfer pricing compliance team of six specialists established in 2023 to manage the transition to the new regulatory framework.

Market data from the Orbis database (Bureau van Dijk, 2023) and the annual sector report published by the Brazilian Institute of Petroleum, Gas and Biofuels (IBP, 2023) indicate that average net margins for lubricant manufacturers and distributors in Brazil range from 10% to 14% of net revenue, depending on product category and distribution channel. Company XYZ's 12% operating margin for fiscal year 2023 falls within this benchmark range, which is directly relevant to the application of the TNMM under the new transfer pricing framework.

The decision to select Company XYZ as the basis for this case study was grounded in three factors: the significance of its intercompany transaction volumes relative to total revenues; its sectoral exposure to commodity price volatility and foreign exchange risk, both of which are particularly relevant to transfer pricing compliance; and the proactive stance adopted by its management in implementing the new regulatory framework from January 2024 onward, during the optional adoption period allowed under *Law No. 14,596* (2023).

Data collection and research procedures

Primary data for this case study were collected using a combination of qualitative research instruments. Semi-structured interviews were conducted with three key informants: the Head of Tax Planning, the Transfer Pricing Compliance Manager, and the Chief Accounting Officer. The interviews were held in person at the company's headquarters in São Paulo between March and July 2024 and lasted 60 to 90 minutes. With participants' consent, the interviews were recorded, transcribed, and subjected to content analysis (Bardin, 2011).

In addition to the interviews, the following documents were analyzed: (i) the internal transfer pricing policy approved by the Board of Directors in November 2023, (ii) the Local File and Master File prepared for fiscal year 2023, (iii) benchmarking studies prepared by an external consulting firm using the Orbis database, (iv) audited financial statements for fiscal years 2022 and 2023, and (v) intercompany contracts between XYZ and its related parties. The documentary analysis followed the protocol established by Cellard (2008) for the critical evaluation of archival sources.

Secondary data were obtained from regulatory publications (*Law No. 14,596*, 2023; *Normative Instruction RFB No. 2,161*, 2023; OECD, 2022), sector reports, and publicly available financial disclosures filed with the Brazilian Securities and Exchange

Commission (CVM). This triangulation of primary and secondary sources was used to enhance the validity and reliability of the findings (Yin, 2018).

Transfer pricing under the traditional Brazilian model (pre-2023)

Before aligning with OECD guidelines, Company XYZ applied the fixed-margin methods prescribed by *Law No. 9,430* (1996) and subsequent regulations. The two primary methods were the Resale Price Less Profit Method (PRL) for imports and the Cost Plus Method (CPL) for exports. The administrative simplicity of these methods enabled the company to manage its transfer pricing compliance internally, without external benchmarking or functional analyses.

PRL – Application at XYZ

XYZ applied the PRL to imports of lubricant base oils from its parent company. The method established a maximum allowable import price by applying a fixed statutory margin to the domestic resale price, without requiring economic justification for the margin.

Practical example (fiscal year 2022):

- Product: Automotive lubricant base oil (imported from parent company).
- Domestic resale price: BRL 12.00 per liter.
- Statutory PRL margin: 30%.
- Maximum allowable import price (PTP): BRL 12.00 × (1 - 0.30) = BRL 8.40 per liter.
- Actual intercompany import price: BRL 8.00 per liter.

Because the actual import price of BRL 8.00 fell below the PTP of BRL 8.40, no tax adjustment was required. However, the simplicity of this calculation masked the lack of economic alignment with market conditions. During periods of sharp exchange rate depreciation, such as the 2022 episode in which the BRL/USD rate exceeded 5.40, the fixed margin generated significant distortions because the method did not account for fluctuations in input costs or supply and demand dynamics.

CPL – Application at XYZ

For exports of blended lubricant products to South American subsidiaries, XYZ applied the CPL by adding a fixed statutory margin to total production costs.

Practical example (fiscal year 2022):

- Total production cost per liter: BRL 6.50.
- Statutory CPL margin: 20%.
- Transfer price ceiling: BRL 6.50 × (1 + 0.20) = BRL 7.80 per liter.

The fixed margin of 20% was applied uniformly across all product lines regardless of their functional complexity, value-added content, or market positioning. This approach generated recurring discussions with tax authorities regarding the appropriateness of the margin, particularly for premium lubricant lines sold to affiliates at prices that reflect brand value and formulation complexity factors not accounted for in the statutory margin framework.

Transfer pricing under the OECD-aligned model (post-2023)

Effective January 2024, with the voluntary adoption of *Law No. 14,596* (2023), Company XYZ implemented a comprehensive overhaul of its transfer pricing methodology. Three principal methods were applied, based on the nature and characteristics of each controlled transaction: the CUP method, the CPL, and the TNMM. All methods were supported by functional analyses, benchmarking studies, and formal documentation prepared in accordance with *Normative Instruction RFB No. 2,161* (2023).

CUP method – Import of chemical additives

The CUP method was applied to the import of chemical additives from the parent company, given the availability of comparable independent transactions in the domestic market. XYZ purchases certain additives from both the parent company and independent local suppliers, providing a reliable basis for direct price comparison.

Practical example (first semester 2024):

- Intercompany import price (parent company → XYZ): USD 5.10 per kg.
- Purchase price from independent domestic suppliers (arm's length reference): USD 5.40 per kg.
- Comparability adjustment for differences in volume, payment terms, and warranty conditions: -2%.
- Adjusted arm's length price: USD 5.40 × (1 - 0.02) = USD 5.29 per kg.

Because the intercompany price of USD 5.10 per kg is below the adjusted arm's length reference of USD 5.29 per kg, no upward tax adjustment was required. The comparability analysis was documented in a formal Benchmarking Report prepared by the company's external tax advisors and cross-referenced to supplier invoices and independent market quotations from the ICIS Chemical Business database.

CPL – Export of blended products

For the export of blended lubricant products to its South American subsidiaries, XYZ adopted the CPL under the arm's length framework. Unlike the pre-2023 model, the gross profit markup was no longer fixed by statute but was instead determined through a benchmarking analysis of independent companies engaged in comparable manufacturing and distribution functions.

Practical example (first semester 2024):

- Full production cost per liter (direct costs + allocated overhead): BRL 8.00.
- Benchmark gross profit markup for comparable independent manufacturers (Orbis database, interquartile range): 13% to 18%, median 15%.
- Transfer price applied by XYZ: BRL 8.00 × (1 + 0.15) = BRL 9.20 per liter.

In the first semester of 2024, XYZ's actual export price to its Argentine and Chilean subsidiaries averaged BRL 8.90 per liter — below the arm's length transfer price of BRL 9.20. This BRL 0.30-per-liter shortfall triggered an upward adjustment to taxable

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income for Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) purposes, totaling approximately BRL 1.8 million for the period, based on export volume. The company proactively accounted for this adjustment in its quarterly IRPJ computation, thereby avoiding potential penalties under Article 74 of *Law No. 14,596* (2023).

TNMM – Domestic distribution operations

For XYZ's domestic distribution activities, which involve more complex functional profiles — including inventory management, logistics coordination, and credit risk bearing — the TNMM was deemed the most appropriate method. The tested party was XYZ's distribution segment, and the selected profit level indicator (PLI) was the operating margin (EBIT/net revenue), consistent with the OECD guidelines' recommendation for distribution-function-tested parties.

Financial data (fiscal year 2023):

- Total net revenue from domestic distribution operations: BRL 3,200,000,000.
- Operating profit (EBIT) from domestic distribution: BRL 384,000,000.
- XYZ's operating margin: 384,000,000 ÷ 3,200,000,000 = 12.0%.
- Arm's length range (interquartile range of comparables — Orbis database, 2021–2023 weighted average): 10.2% to 14.1%.

XYZ's operating margin of 12.0% falls within the established arm's length range of 10.2% to 14.1%. Accordingly, no adjustment to taxable income was required for the distribution segment. The benchmarking analysis identified nine comparable independent companies in the Brazilian lubricants, chemical distribution, and specialty fluids markets, after applying qualitative and quantitative filters consistent with the criteria outlined in Articles 34 to 42 of *Normative Instruction RFB No. 2,161* (2023).

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Challenges and facilitators in the transition

The adoption of the new transfer pricing framework was a highly complex technical and operational process for Company XYZ. As an organization engaged in integrated activities involving the import, production, and export of lubricants, the transition required significant restructuring of internal controls, accounting systems, and tax processes.

Main challenges

The first and most significant challenge was data segmentation and ERP configuration. XYZ's ERP system (SAP S/4HANA, deployed in 2019) was not configured to capture production costs segmented by product line and intercompany contract, as required by the Local File template prescribed by *Normative Instruction RFB No. 2,161* (2023). The Head of Tax Planning noted in the interview that the IT adaptation project required approximately four months and an investment of approximately BRL 1.2 million in system customization and external consulting fees. During this transition period, the compliance team operated manual spreadsheet-based controls in parallel with the ERP, increasing the risk of data inconsistencies.

A second challenge was foreign exchange volatility. Since intercompany transactions involving the import of base oils and chemical additives are denominated in U.S. dollars, abrupt exchange rate movements, particularly the BRL/USD depreciation from 4.97 at the end of 2023 to 5.72 in mid-2024, directly affected unit costs and resale margins. This instability complicated the consistent application of the arm's length principle each quarter, necessitating additional economic adjustments and the documentation of exchange rate impact analyses as part of the Local File.

The scarcity of domestic comparables was a third major obstacle. The Brazilian lubricants market is highly concentrated, and few publicly traded companies disclose product-line level financial data required for rigorous benchmarking. As a result, XYZ relied primarily on the Orbis database (Bureau van Dijk) to identify comparable companies in Latin America and Southern Europe, applying functional and financial filters that reduced an initial pool of 847 companies to nine accepted comparables. This process

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required approximately 340 hours of analyst time and approximately BRL 180,000 in external database access and advisory fees.

Finally, the need for multidisciplinary technical training emerged as a significant human capital challenge. The new framework required the company's six-person transfer pricing team to develop proficiency in functional analysis, economic comparability methodology, and the use of commercial databases — none of which were required under the previous fixed-margin regime. Between October 2023 and January 2024, XYZ invested in a structured 80-hour training program delivered jointly by a big-four accounting firm and a specialized transfer pricing consultancy, at a total cost of approximately BRL 220,000.

Main facilitators

Several factors facilitated the transition. First, XYZ's robust corporate governance structure, inherited from its multinational parent, provided an effective coordination framework among the accounting, tax, legal, and treasury departments. A dedicated Transfer Pricing Steering Committee, chaired by the Chief Financial Officer, was established in August 2023 to oversee implementation and resolve cross-functional issues monthly.

Second, the early formalization of intercompany agreements laid a solid foundation for preparing transfer pricing documentation. In the fourth quarter of 2023, existing contracts between XYZ and its related parties were revised to include arm's length pricing clauses, risk allocation provisions, and documentation obligations consistent with the new regulatory framework.

Third, XYZ benefited from the optional adoption period under *Law No. 14,596* (2023), which permitted companies to apply the new rules voluntarily starting in January 2024, one year before the mandatory effective date in January 2025. This early adoption allowed the company to identify and correct compliance gaps without the pressure of imminent regulatory enforcement and to engage constructively with the RFB service's guidance process in 2023.

In summary, Company XYZ's experience demonstrates that successful adaptation to the new transfer pricing legislation requires a comprehensive organizational transformation across information systems, internal processes, and human capital, in addition to technical tax and accounting adjustments. The company's proactive approach, characterized by early adoption, significant investment in ERP adaptation and training, and strong governance, enabled a structured, compliant transition and positioned the company favorably for the mandatory application period beginning in January 2025.

Analysis of results

The case study findings provide empirical evidence of the practical implications of Brazil's transfer pricing reform at the firm level, complementing the theoretical framework presented in the literature review.

The first key finding is that shifting from fixed-margin methods to arm's length benchmarking substantially increased the technical complexity and compliance costs of transfer pricing management. XYZ's total investment in the transition encompassing ERP adaptation, external benchmarking, training, and legal fees amounted to approximately BRL 2.8 million in 2023–2024, representing a cost increase of approximately 340% relative to the company's pre-2023 annual transfer pricing compliance expenditure of approximately BRL 650,000. This finding aligns with the concern raised by Jesus and Schäfer (2024) about the disproportionate compliance burden on Brazilian companies during the transition period.

The second key finding concerns the materiality of pricing adjustments triggered by the new framework. The upward adjustment to IRPJ and CSLL taxable income identified through the CPL analysis, totaling approximately BRL 1.8 million for the first half of 2024, illustrates the fiscal significance of the new methodology and the potential for material tax exposure if transfer prices are not proactively reviewed. This result validates Giancomelli and De Aguiar's (2023) argument that the new framework requires deeper integration between accounting, tax, and operational functions.

The third key finding concerns data infrastructure. The incompatibility between XYZ's pre-existing ERP configuration and the documentation requirements of *Normative Instruction RFB No. 2,161* (2023) poses a structural challenge likely to affect

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many Brazilian companies, particularly those that implemented ERP systems prior to the OECD alignment. This finding adds an empirical dimension to the systemic challenges identified by Schäfer et al. (2021) in their analysis of Brazilian exporters' adherence to arm's length principles.

Collectively, these findings suggest that the benefits of the new framework, including greater fiscal transparency, reduced double-taxation risk, and improved international comparability, are real but come with significant short-term adaptation costs. Policymakers and professional associations should consider support mechanisms such as simplified benchmarking guidance for Small and Medium-sized Enterprises (SMEs), government-subsidized access to commercial databases, and the extension of transitional relief to facilitate broader and more equitable compliance across the corporate sector.

FINAL CONSIDERATIONS

The transition from the traditional transfer pricing model to a system aligned with OECD guidelines is one of the most significant reforms in recent years in Brazilian international taxation and accounting. The case study of Company XYZ based on real operations in the lubricants sector demonstrates that the new framework provides greater economic accuracy and transparency, while also introducing increased technical complexity and additional operational costs.

The findings indicate that, whereas the previous model used fixed margins in a standardized manner, the new system requires detailed functional analyses, market-based comparability, and more robust technical documentation. This shift reflects a transition from a prescriptive framework to an economically grounded approach, bringing Brazil closer to international best practices.

For Company XYZ, the adaptation process posed specific challenges, including ERP data segmentation limitations, scarcity of local comparables, exchange rate volatility, and the need for multidisciplinary technical training. The total compliance cost of the transition reached approximately BRL 2.8 million, representing a 340% increase relative to the pre-2023 baseline — a finding with important implications for policy and

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practice. Nevertheless, support from the parent company, the early formalization of intercompany agreements, optional early adoption of the new framework, and a solid governance structure were crucial to ensuring a structured and compliant transition.

In terms of impact, the new legislation affects not only tax calculations but also reshapes companies' accounting and strategic approaches, requiring greater integration among accounting, controllership, and tax planning functions. The material transfer pricing adjustment of approximately BRL 1.8 million identified through the CPL analysis in the first half of 2024 illustrates the fiscal significance of the reform. It underscores the importance of proactive compliance management.

In the medium term, alignment with OECD standards is expected to enhance legal certainty, reduce litigation, and promote greater international harmonization, provided that continuous investments in training and technology accompany it. The experience of Company XYZ suggests that early adoption, combined with strong organizational governance, constitutes an effective strategy for managing the regulatory transition.

As an exploratory qualitative study based on a single company, this research has some limitations that should be acknowledged. The findings reflect the experience of one organization in a specific sector and may not be fully generalizable to companies in other industries or of different sizes. Furthermore, the recent enactment of the new legislation limits the availability of longitudinal evidence on its fiscal and accounting impacts.

For future research, it is recommended that empirical studies draw on a broader sample of companies across sectors and size classes to more accurately assess the effects of the new transfer pricing legislation on accounting indicators, profit margins, and effective tax burdens. It would also be relevant to develop comparative analyses across economic sectors, examining how the degree of internationalization and the structure of intercompany transactions influence adaptation to OECD guidelines. Finally, further studies exploring the relationship between corporate governance quality, transfer pricing compliance, and the quality of accounting information are encouraged, contributing to a more comprehensive understanding of the effects of the new framework on the Brazilian business environment.

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