

## Abstract

This purpose of this thesis is to study the principle so called “Comparability Principles” that seeks to prove or achieve the Arm’s Length Price by focusing the guidelines established by the Organisation for Economic Co-operation and Development (OECD) and the United States. In addition, to analyze the “Comparability Principles” by applying the Traditional Methods and other Methods. Moreover, to adjust the difference between uncontrolled transactions and controlled transactions in order to increase reliability in proving Arm’s Length Price.

This study reveals that “Comparability Principles” will help accelerating and enhance reliability to the Arm’s Length Price, the uncontrolled transactions and controlled transactions must be comparable. In the circumstance where there is difference between the uncontrolled transactions and controlled transactions, it is compulsory that, the adjustment to the uncontrolled transactions must be conducted so as to gain the reliable and accurate output. Theoretically, factors in determining comparability comprise of the following criteria (i) characteristic of property or service (ii) functional analysis (iii) contractual terms (iv) economic circumstance (v) business strategies.

As a conclusion from the foregoing study, I recommend that the “Comparability Principles” should be taken into consideration in parallel with the Arm’s Length Principles. Consequently, the provision under the current Revenue Code in respect of the transfer pricing should be updated and modified in order to prescribe necessary criteria in determining the Arm’s Length Price. In completing this objective, it is highly recommended that the application of the “Comparability Principles” shall be introduced. As a result, this will certainly bring about fairness to both Revenue Department and the taxpayer.