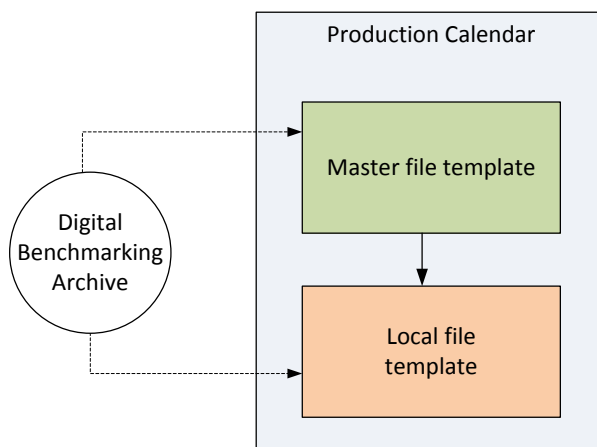


## Standardized approach

In order to standardize, simplify and streamline TP documentation and to improve global consistency, but still complying with local TP requirement, especially in the light of the OECD project on BEPS Action 13 report <sup>1</sup>, TPA has designed this project to provide global TP documentation on a standardized approach through building up the following TP framework for you.

- Master File template
- Local File template
- Digital Benchmarking Archive
- Production Calendar

The standardized TP documentation approach can be visualized as follows:



This standardized approach will help your company to create an easy framework to manage your company's global TP documentation and is flexible enough to include all local information requirement and considerably more time and cost-efficient in practice.

The desire to standardize the TP documentation system within your company is in particular for the following reasons:

- Limited consistency of format and content between TP reports analysing the same transaction.
- Updating the TP documentation for the subsequent years proved to be too extensive and thus too time-consuming.
- The local documentation is finalized too late for some countries with tight deadlines to prepare and/or submit documentation, creating potential penalties from certain tax authorities.

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<sup>1</sup> The OECD project on BEPS Action 13 report published on 5 October 2015 described a three-tiered approach to TP documentation, consisting master file, local file and CbC reporting.

## Master File template

TPA will create a master file template for your company group companies to cover major IC transaction categories entered among its group companies for FY 2015. Once the TP master file template is prepared, it generally satisfies 60% to 80% of the requirements of each of the tax authorities in the countries in which your company does business.

It is important to note that the master file template will also be in compliance with the new TP master file standard set out in the OECD project on BEPS Action 13 report, and we also aim to align the master file template with the BEPS Action 8-10 report focusing on substance and value creation.

The master file template mainly contains the following standardized individual sections:

- Executive summary
- Scope and Purposes
- Industry analysis
- Company analysis
- Functional analysis (brief description)
- Choice of method per major IC transaction
  - Price setting
- Summary of economic analysis.

## Local File template<sup>2</sup>

TPA will also develop a local file template in order to easily update or create the relevant country specific reports. If a particular country requires TP documentation prepared specifically in respect of a local entity, this can be done easily and cost effectively by utilizing the local file template as a base. The local file template contains place holders and standardized description to render it specific to the local entity in order to comply with local specific circumstances and requirements. Once the TP local file template is prepared, it generally satisfies 60% to 80% of the requirements of each of the tax authorities in the countries in which your company does business.

The local file template mainly contains the following individual sections for easy adaptation at local level:

- Executive summary (standardized + local specific)
- Scope and Purposes (standardized + local specific)
- Industry analysis - (standardized + local specific)
- Company analysis – (standardized + local specific)
- Detailed functions, assets and risks (“FAR”) profile per major IC transaction types (standardized + local specific)
- Choice of method per major IC transaction types (standardized + IC transaction value)
  - Price setting
  - Price/profit checking
- Economic analysis per major IC transaction types (standardized economic analysis write-up with regional benchmarks).

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<sup>2</sup> It is important to note that this local file template is also in compliance with the new TP local file standard set out in the OECD project on BEPS Action 13 report.

It is important to note that the local file template will also be in compliance with the new TP master file standard set out in the OECD project on BEPS Action 13 report, and we also aim to align the local file template with the BEPS Action 8-10 report focusing on substance and value creation.

#### Digital Benchmarking archive

The benchmarking archive contains three regional benchmarking sets, which are prepared in the past 36 months by various external advisors including TPA located in the following regions:

- Americas
- Asia Pacific
- Europe

In case there may be a need to compile country specific benchmarks in which case this would also be prepared separately and included in the local TP documentation.

TPA will synchronize all existing benchmarks collected in standardized format and perform a gap analysis in order to identify any additional benchmarks may be required. As soon as TPA has conducted this gap analysis, TPA will communicate the result to your company<sup>3</sup>, in order to agree on which additional benchmarking studies are to be performed.

#### Production Calendar

Due to the burdensome local TP documentation requirements, MNEs like your company may struggle with tight deadlines for the completion of the TP documentation. We suggest your company to use TPA's proprietary Production Calendar, which is an internal tool that can help to monitor and manage the schedule with respect to preparation, filing or submitting TP documentation and TP forms<sup>4</sup> for each country within your company that meet the local TP documentation threshold.

## IC transactions under review

As per our prior and on-going engagement on various TP documentation projects with your company, the major IC transaction types entered among your company group companies can be summarised.

For more information, please contact the following professionals

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<sup>3</sup> It should be noted, any additional benchmarking and/or update/roll-forward of financials for the IC transactions under review in the FY 2015 your company's master file and local file documentation are out of scope of this proposal. We will provide separate proposal as per your request.

<sup>4</sup> Certain tax authorities require MNE to supplement the tax return by completing a form that provides additional information on transfer pricing. Including information on whether they have entered into cross-border controlled transactions, and if so, they must provide certain additional information such as identity of the foreign related parties, the amounts of the transactions, pricing methodology applied and whether the taxpayer has produced contemporaneous transfer pricing documentation to support transfer prices.