

Are you 'in-control' of tax and transfer pricing?

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23 March 2017

A presentation by

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1. The Brave New Post-BEPS World

What will the tax inspector receive after the end of financial year?

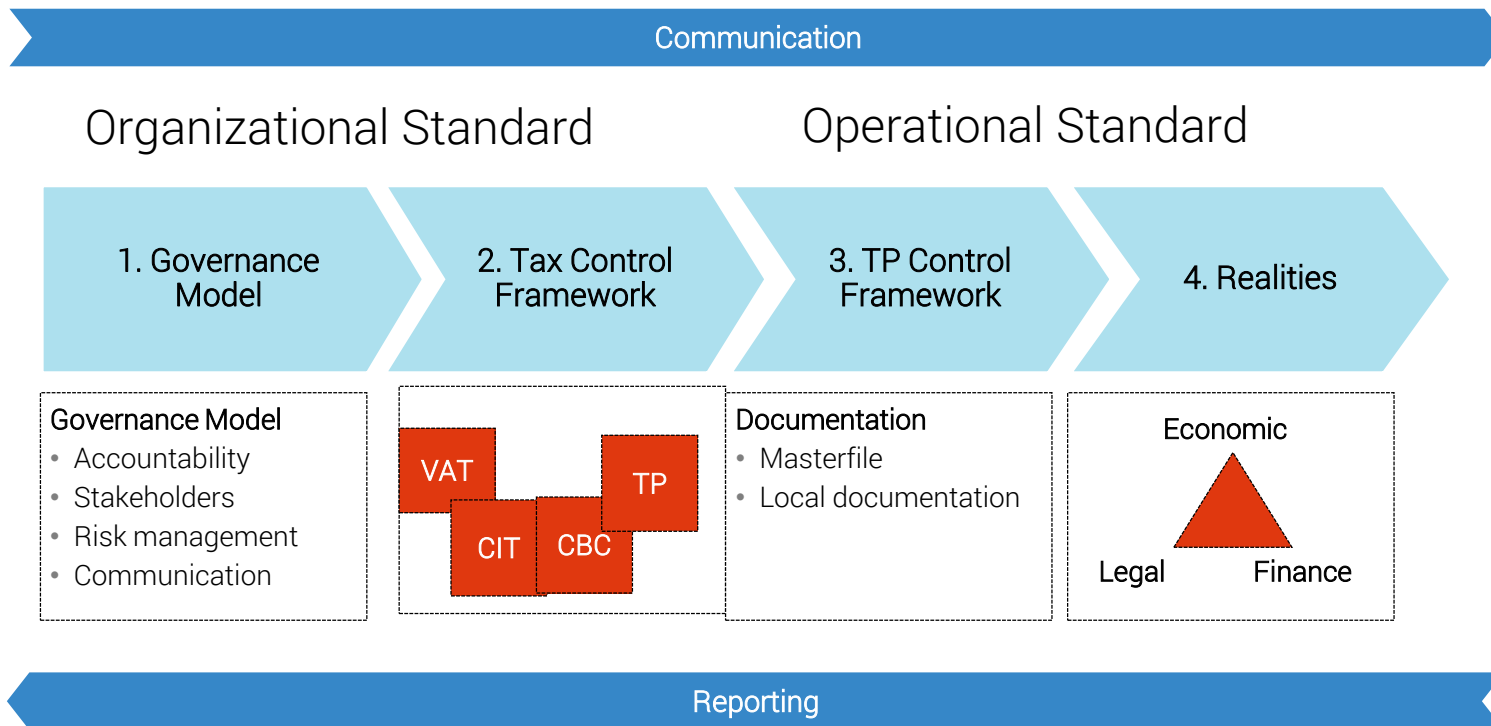
Prior FY2016	As of FY2016
<ul style="list-style-type: none">• Local TP Documentation / Forms;<ul style="list-style-type: none">◦ Local tested party analysis;◦ One-sided approach;• CIT return.	<ul style="list-style-type: none">• CbC report;• Master file;<ul style="list-style-type: none">◦ Value chain analysis;◦ Group financial statement;• Local TP Documentation / Forms;<ul style="list-style-type: none">◦ SPF analysis;◦ Two-sided approach;• CIT return.
<ul style="list-style-type: none">• Only local picture;• No additional information;• Limited local financial data.	<ul style="list-style-type: none">• The complete MNE value chain picture;• Readily available counterpart information;• Comprehensive financial data.

2. How to manage Tax and TP in this Brave New World?

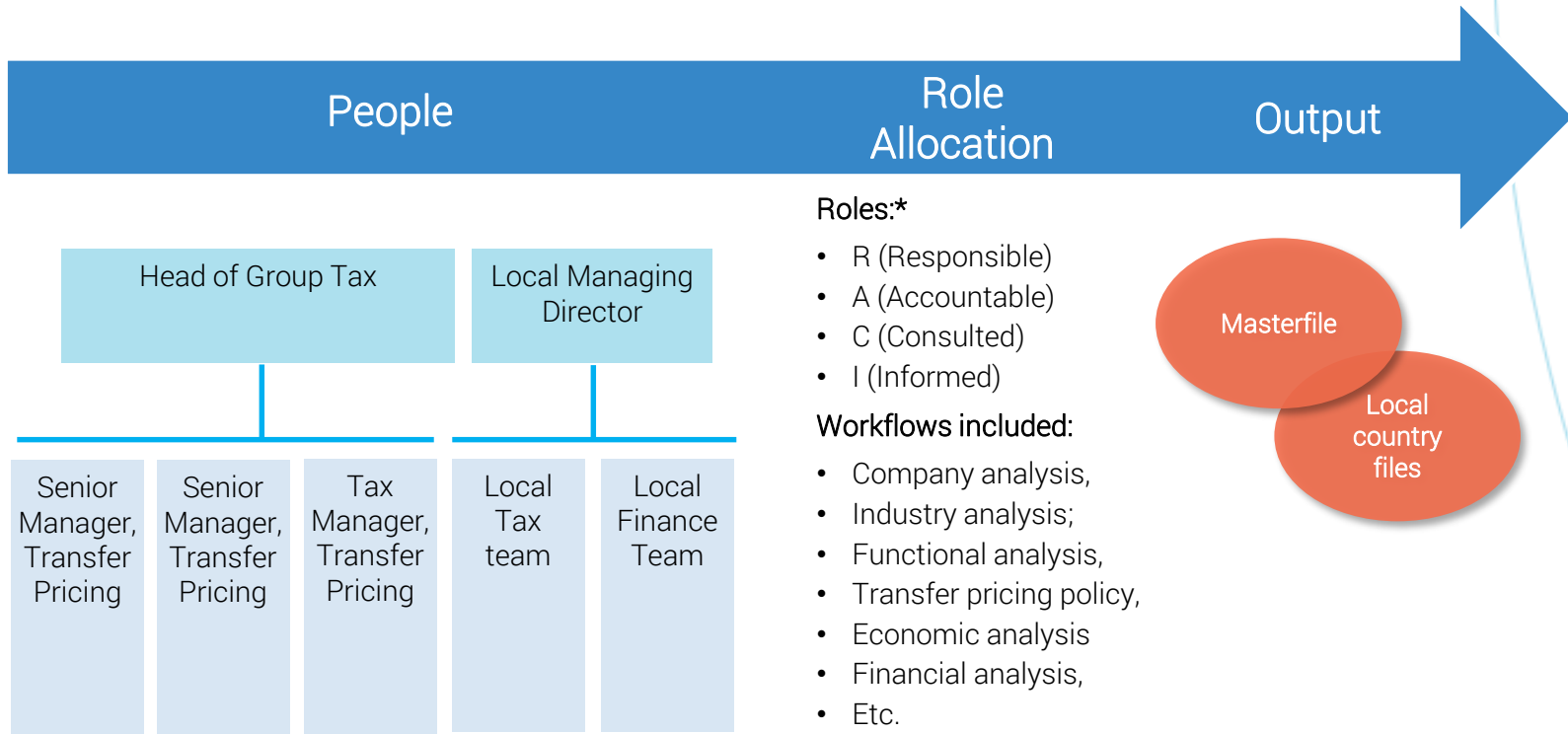
Aspects	Content
Organizational	Governance of Tax and TP function
Operational	Compliance, risks and opportunities management
Technical	Knowledge on specific BEPS challenges

3. Global Tax and Transfer Pricing Governance model

“Are you in control” is driving the agenda of the management board



4. Setting up a Global Tax and Transfer Pricing Governance model



Roles:*

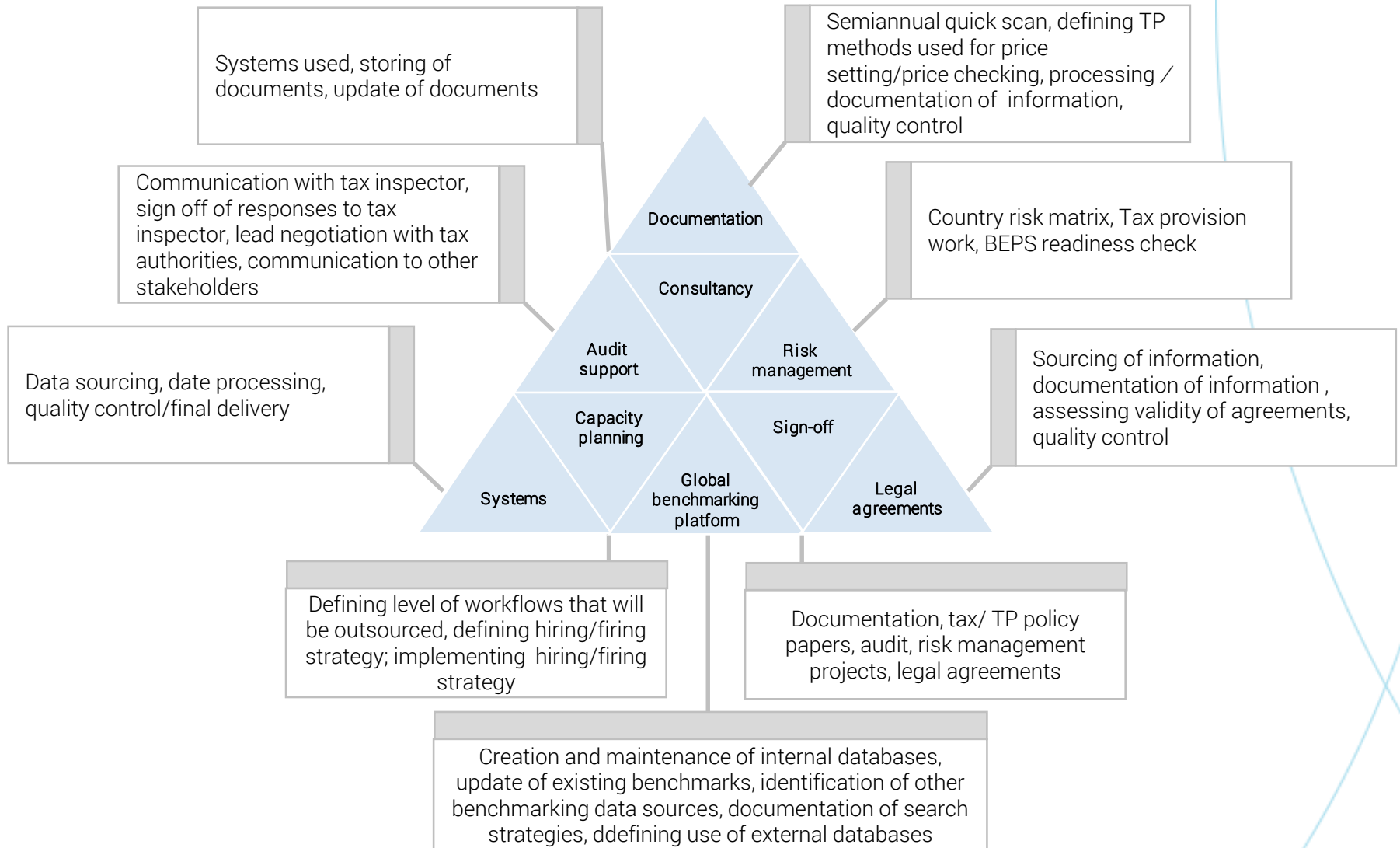
R (Responsible): Person who is assigned to perform part or all of the work;

A (Accountable): Person who has the authority to sign off on work before it is effective (ONLY ONE PERSON!);

C (Consulted): Person who provides information or expertise necessary to complete the project;

I (Informed): person who needs to be notified of results but need not necessary be consulted.

5. Example of TP Governance Model (i)





6. Example of TP Governance Model (ii)

	Head of Tax	Head of TP	Central tax/finance team	Local tax/finance team	Legal team	Business team
1. Development/maintenance of TP documentation						
2. Consultancy – Advisory and implementation						
3. Audit support						
4. Risk Management						
5. Systems (central data management & retrieval)						
6. Capacity planning – In source/ outsource						
7. Global benchmarking platform (outsourced to third parties)						
8. Sign-off TP documents						
9. Legal agreements- set up and implementation						

R (Responsible): Person who is assigned to perform part or all of the work, A (Accountable): Person who has the authority to sign off on the work before it is effective (ONLY ONE PERSON!), C (Consulted): Person who provides information or expertise necessary to complete the project, I (Informed): person who needs to be notified of results but need not necessary be consulted.

7. Role of Tax and TP function

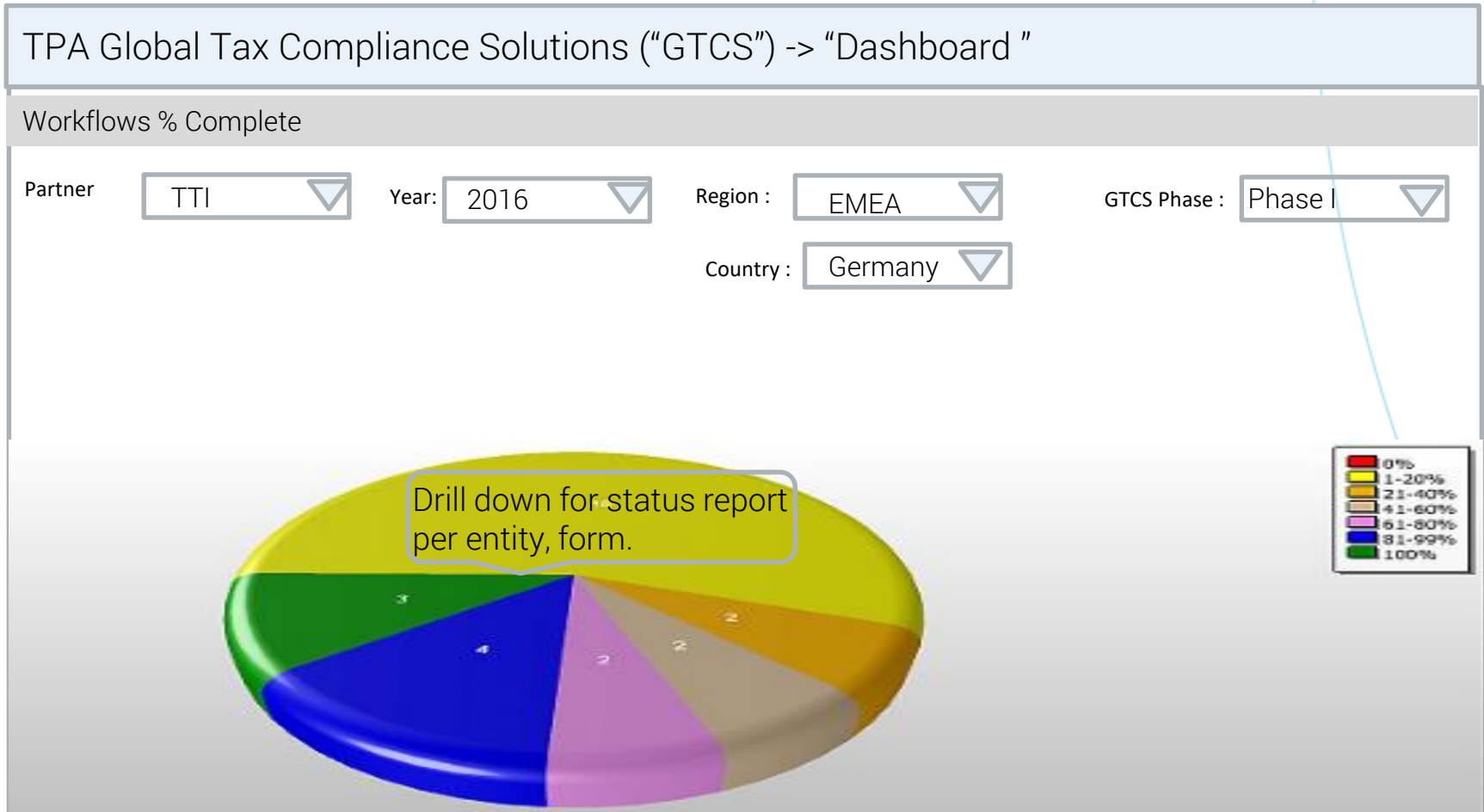
Before BEPS	After BEPS
Planning -> Compliance	Compliance -> Risk and opportunity management
Limited automation	Search for process efficiency and automation
<p style="text-align: center;">CFO's perspective</p> 	<p style="text-align: center;">CFO's perspective</p> 
Tax and TP function = profit center	Tax and TP function = "cost center"!?

8. Compliance, risk and opportunity cycle

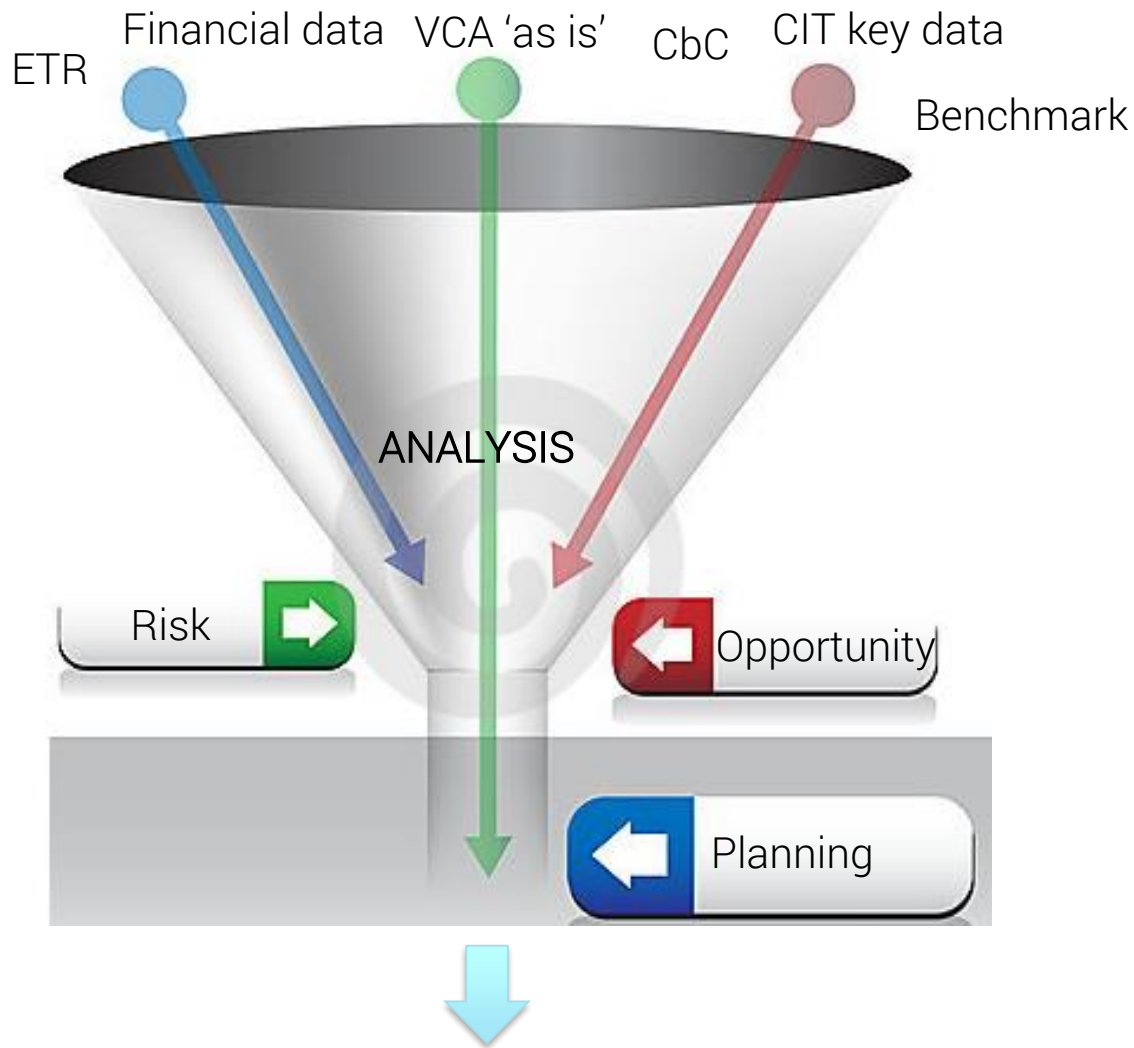
Set of processes ensuring that a company's tax risks are known and controlled.



9. Technology automated compliance, risk and opportunity management cycle

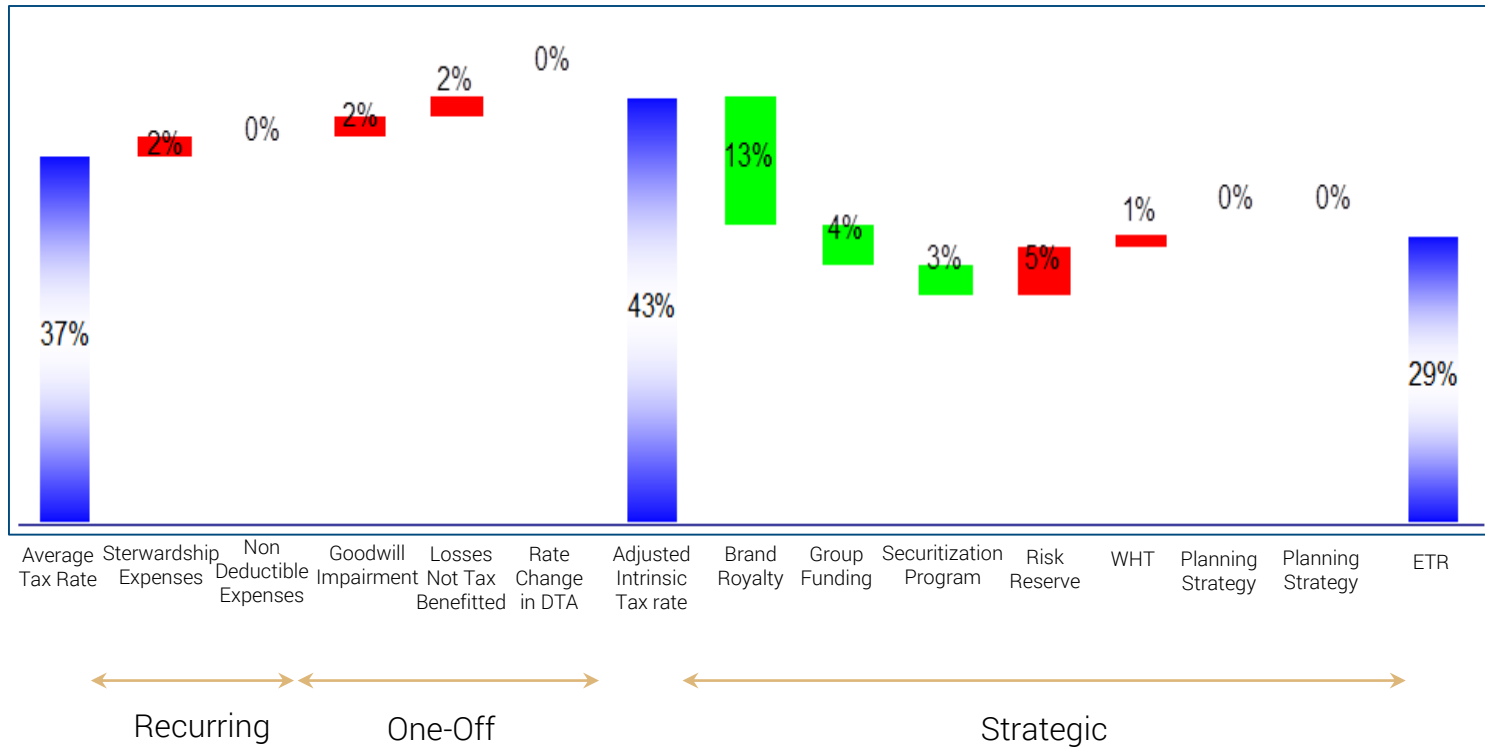


10. Tax Risk and Opportunity Management

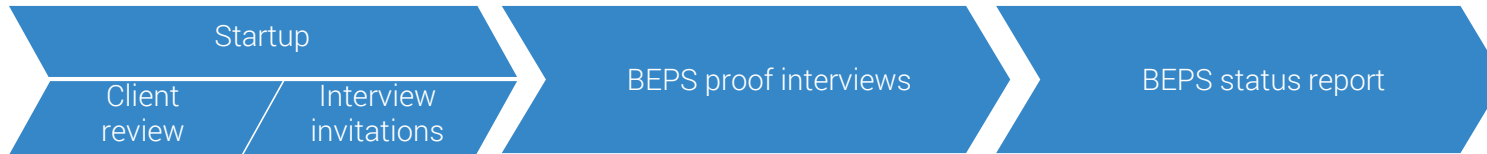


Business case development – ETR drivers modelling

11. ETR drivers modelling



12. BEPS review methodology (i)



- Relevant customer data (client information, internal documents, completed forms, etc.)

- Stakeholder identification based on quota for both finance/commercial stakeholders

- Invitation of selected internal stakeholders to assessment interviews



1-2 weeks

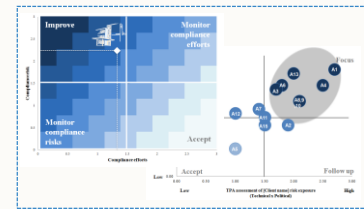
- Setting the scene interview with the client CFO/ Finance team

- A series of BEPS interviews with internal finance, tax, transfer pricing, audit and commercial stakeholders



1 day

- Use of analytics to transform data into meaningful and predictive insights



- Better informed tax/ TP risk management decisions

- Readiness to effectively comply with BEPS

1 day

BEPS proof assessment aims to evaluate client's readiness to comply with BEPS. It is ready in 48 hours after the interviews have been finalized.

13. BEPS review methodology (ii)

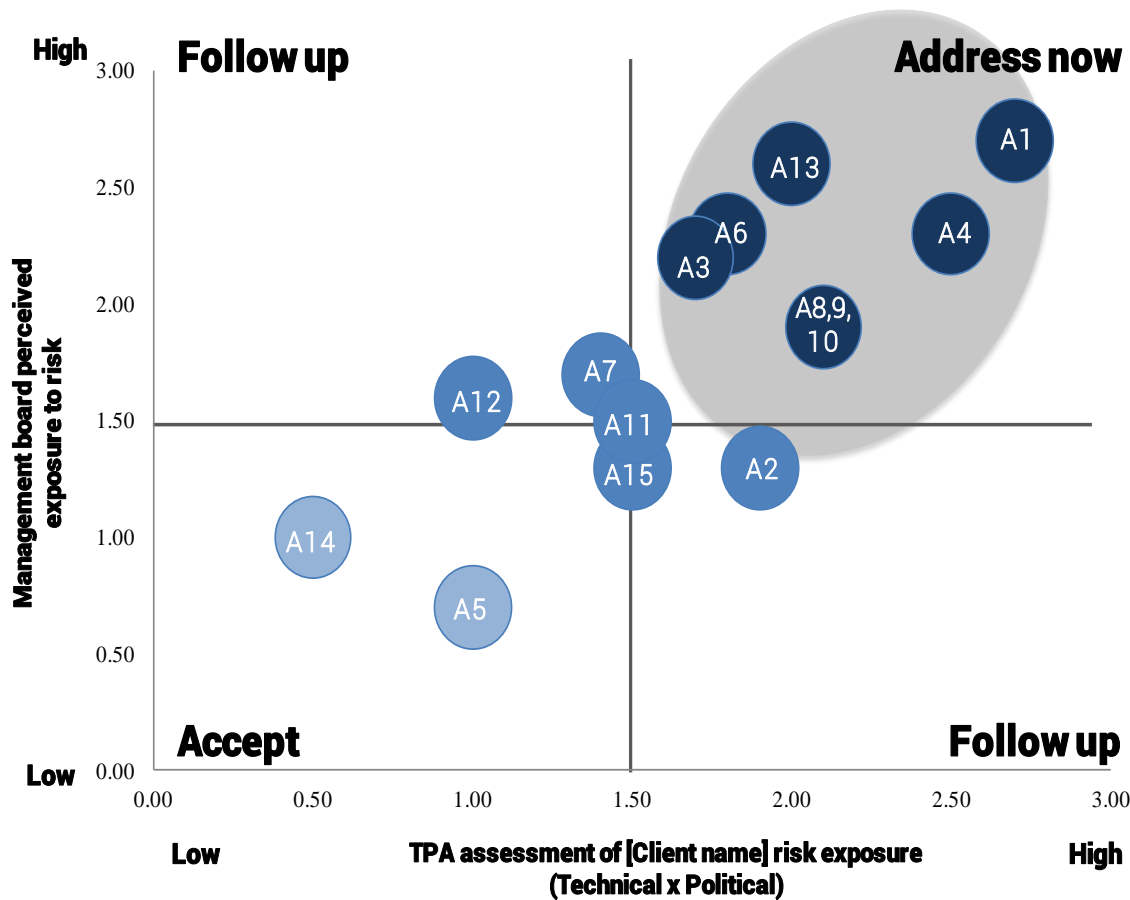
Typical BEPS challenges:

- Permanent establishments;
- Hybrids;
- Primary purpose test;
- Intangibles and DEMPE;
- CbC outliers.

VCA	R&D	Manufacturing	Marketing	Distribution
EBIT	7%	2%	1%	3%
FTEs	5	2000	10	50
Location	Luxembourg	Germany	Slovenia	Netherlands
Taxation	10%	25%	18%	20%

14. BEPS review methodology (iii)

BEPS review assessment example:



- A1. The digital economy
- A2. Hybrid mismatch arrangements
- A3. Controlled foreign companies (CFC) regimes
- A4. Financial payments
- A5. Harmful tax practices
- A6. Treaty abuse
- A7. Permanent establishment (PE) status
- A8. Transfer pricing and intangibles
- A9. Transfer pricing and risk/ capital
- A10. Transfer pricing and other high risk transactions
- A11. Data and methodologies
- A12. Disclosure of aggressive tax planning
- A13. Transfer pricing documentation
- A14. Dispute resolution mechanisms
- A15. A multilateral instrument

15. Lessons learned

Organize governance of Tax and TP function



Manage compliance, risks and opportunities



Address BEPS-challenges



'In-control' statement

Q & A

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