Transfer Pricing Management in Multinationals
Concepts | Approach | Support | Implementation | IT Applications | Team

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GTP® AGENDA

... insight transfer pricing

- Transfer Pricing Management
- Transfer pricing: (I) price setting, (II) AL testing models, (III) AL information
- GTP® MANAGER: concept and modes of implementation
- Implementation packages by individual needs
- Implementation process and resources required
- Add-on information on the GTP® MANAGER
- Who we are
Transfer Pricing Management: Objectives

**Structuring & Transfer Pricing Guidelines**
- Transactions, function & risk allocation
- Price setting models, arm’s length test models
- Documentation organization

**Price Setting**
- Cost & profit allocation, operative transfer pricing
- Integration of arm's length information

**Quantitative Analytics**
- Transfer pricing monitoring & analysis
- Reporting and arm’s length assessment
- Tax Risk Management

**Documentation & Archiving & Reporting**
- Document management, version control, archiving
- Group-wide reporting; generation of transfer pricing reports, worldwide tax audit management
- Compliance with tax law (Masterfile, Countryfile)
GTP® MANAGER: Linking Yesterday with Tomorrow

FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22

Audit Period 1  Audit Period 2  Audit Period 3

„to govern tax risk of the past“
| ex post |

„to manage tax risk of the future“
| ex ante |

GTP® MANAGER
Operative Transfer Pricing
(Price Setting)
bottom-up, top-down, price comparison, cost comp., negot.

OECD Transfer Pricing
(Arm’s Length Testing Model)
(CUP, R-, C+, TNMM, RPS, PS, CPM, FA)

Arm’s Length Information
(Interquartile Range)
(using indicators, EBIT, GM, NC+, CP, Berry, €)

Market Price 100
Customer Third-Party

OM
Reselling
GM 30

Reselling (Low-Risk / Routine)

TNMM

EBIT
GM
NC+

Q1 8%
M 4%
Q3 1%

32%
25%
19%

Q1 7%
M 4%
Q3 2%

162€
150€
142€

Transfer Price P₁ 70

C+ 30
24

OM

Production
HK

40

OM

Euro

TNMM as Method of Last Resort
GTP® MANAGER | Compliance Module

**Document Library**
- OBD_MasterFile
  - Docs
    - OBD_CountryFiles
      - OBD CountryFiles
      - OBD CountryFiles
      - OBD CountryFiles
      - OBD CountryFiles
      - OBD CountryFiles

**xlsx-Version**

**DMS/ECM (z.B. ELO)**

**Data Pool Multi. Group**

**MF (Masterfile)**
- LE
  - DE
  - FR
  - US
- TA
  - TA_1
  - TA_2
  - TA_x
- FAN
  - FAN_1
  - FAN_2
  - FAN_x
- AL Test
  - Test_1
  - Test_2
  - Test_x

**CF_1 (Countryfile)**
- AT

**CF_1 (Countryfile)**
- FR

**CF_1 (Countryfile)**
- US

**CF_x (Countryfile)**

**AMD**
- LE Data
- PC Data
- AL Data

**AMD**
- LE Data
- PC Data
- AL Data

**BM1**
- WEU

**BM2**
- NAFTA

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**Software Technologies**
- MS® Office
- ELO / ECM Solutions
- Business Intelligence Solutions
- SQL Server Technologies

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GTP® Packages

... tailored input for your transfer pricing system

GTP® Solutions

- **GTP® STRUCTURE**
  Framework, tools, and consulting support to structure global transfer pricing systems

- **GTP® DATA**
  Raw data samples deployable for statistical analysis and arm’s length assessment

  - **GTP® RANGE**
    Profitability ranges (interquartiles) based on comparable sample data

  - **GTP® REPORT**
    Interquartile ranges on profitability indicators, or license rates, including reporting for transfer pricing documentation purposes (GTP® IndustryCheck)

  - **GTP® ASSESSMENT**
    Evaluation of the arm’s length nature of intra-group transfer pricing facts – linking GTP® RANGE with intragroup profit allocation (analysis level: transaction or legal entity)

  - **GTP® DOCUMENTATION (Countryfile)**
    Integration of the quantitative analysis with the overall documentation (Countryfile)

  - **GTP® MANAGER**

  - **GTP® TOOLS**
    Stand-alone xlsx-based analysis and compliance tools (e.g. value chain calculation)
Solutions for GTP® Cooperation Partners

GTP® Cooperation

… to safeguard your transfer pricing project

Our services for the transfer pricing project with your international client:

- Raw Data and Statistics for the Arm’s Length Analysis
- Analysis & Assessment Services
- Compliance & Documentation Support
- Transfer Pricing Management for Multinationals
- Documentation Management Services
- Transfer Pricing Consulting Services
- Training & GTP® ACADEMY
Linking Fact Pattern with Transfer Pricing Logic (scalable into other areas)

... to leverage cross-border documentation projects of multinational groups

GTP® MANAGER

Concept & Model

Other Compliance Areas

Transfer Pricing

GTP® MANAGER

Fact Pattern

Definitions

Data

Contracts

Evidence

Interdependence

... Reporting

... Reference

... Relations

... Settings

Documentation

Arm’s Length

Transactions

GTP Settings

Other BI & Analytics ...
... linking fact pattern with arm’s length information

- **Analysis & Examination**
  - Analysis level: legal entity, profit center, transaction, individual facts
  - Multi-periodic, cross-country, cross-fact pattern
  - Based on arm’s length information (interquartile statistics, profitability, rates)
  - Arm’s length assessment
Example: Value Chain Analysis & License Rates

- Transfer pricing setting
- Cost and profit identification
- Definition of routine and non-routine functions
- Integration of benchmarking information
- Allocation of residual profit to non-routine functions
- Deduction of license rates for intangibles / valuation

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<th>Residual Profit Splitting</th>
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Implementation: Tasks & Technologies

GTP® MANAGER

Tasks & Technologies

Allocate
Master Data, Docs, GTP Structures

Implement GTP Structures
Import Data & Documents

Integrate Arm’s Length Info
(PLI, License, Prices)

Analyze Fact Pattern
Cost, Profits, Losses, Extraord. Fact

Quantitative Analytics
Budgeting, Monitoring, Controlling

Documentation
Compliance, Masterfile, Countryfile

Office Software (xlsx, docx, pptx, Outlook)

Local ERP | BI | PMS | Warehouse | CRM | SCM | RDP

Business Analytics with xlsx
(optionally: BI Software)

ELO SUITE
### Project Steps: from Concept to Documentation

**GTP® MANAGER**

#### Implementation

<table>
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<th>Components</th>
<th>Deliverables</th>
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<td>GTP Workshop „From where to head for?“</td>
<td>Proposal</td>
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<td>GTP® Modul Setting <em>Customizing</em></td>
<td>Group-Specific Setup</td>
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<td>GTP® Modul Implementation</td>
<td>Software Masterdata, Documents</td>
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<td>Comparables Benchmarking (PLI, Licence, Prices)</td>
<td>Arm’s Length Documentation</td>
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<td>Quantitative Analysis (Monitoring, Controlling)</td>
<td>Reporting</td>
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<td>Documentation Work</td>
<td>Masterfile / Countryfile</td>
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Making the GTP® MANAGER working: practical issues

**Definition & setup of group structure & implementation**
- Transfer pricing structure (entities, transactions, functions, analysis)
- Setup of master data & master documents

**Deployment of tool & upload of documents**
- External documents (e.g. benchmark studies, reports)
- Internal documents (e.g. analysis, reports, contracts, emails, statements, notes)
- Reporting
  - Masterfile & Countryfile
  - Country-by-country reporting (xlsx or BI tool)
  - Special Purpose Reporting
  - Single-document delivery
- Update of transfer pricing structures (e.g. transactions, benchmarks)
- Repository of transfer pricing tools

**Scripting & Programming**
- Automated services (e.g. automated indexing)
- Interface with source data (e.g. ERP, other ECM Systems, BI solutions)
- Integration with collaboration systems (e.g. Sharepoint)
Requirements & Ressources

Input from Data & Documents
- Content from file systems of the group
- Data & information from ERP data / BI data / controlling reports
- Individual and/or mass documents (e.g. invoices, contracts, reports, communication)

Software
- GTP® Compliance Module
  - Licensing + update
  - Implementation services (GTP)
  - Training & backing
- Document Management Software: ELOprofessional (comp. ELO System Requirements)
  - Licensing model by # named users (full clients vs. webclients)
  - r/w user right definitions
  - Client-Server
  - Update fee

Project Ressources
- Inhouse Transfer Pricing Team and/or external experts
- 6 to 14 weeks overall implementation phase / 4 – 20 workdays
- Package costs / budgets *(non-binding)* are subject to group size, transactional complexity, technology, analysis and documentation focus.
What is it for? And what is it not for?

What it is for!
- Transfer Pricing Management Framework
- Link between “legal entity perspectives” and “individual business transactions”
- Guidance for inhouse users and experts
- Customized based on ready-made!
- Organization tool – can be extended & integrated with any kind of internal compliance
- Document management tool – consistency, versionizing, user right assignments
- Reporting tool (digital reporting, document reporting)
- Data & document repository

And what it is not for!
- It’s not an “all-in-one tool” (“Eier-legende-Wollmilchsau”)
- It’s not a never-ending software project, nor is it a data management project
- It’s not an enlargement but a reduction of complexity
- It’s not a copying machine for digital documents and data
- ...
- ...

❖ Our principle: Keep it simple! Keep it manageable!
... Now, Take the Opportunity for Your Project

GTP® MANAGER

... to Master Your Transfer Pricing System

- Global Transfer Pricing: more than delivering tax reports
- Model: linking the fact pattern with existing transfer pricing models
- IT framework: implementing the appropriate working platform
  - Document management
  - Arm’s length information
  - Organization management
  - BI & Analytics
- Resources: inhouse + external
- Customization: based on default standards from GTP® MANAGER
- Measurement: effectiveness & cost-efficiency

We can deliver a wide set of components on

- Know how & content on transfer pricing organization
- Specific applications and corresponding IT framework
- Arm’s length information
- Analytics expertise
- Masterfile, countryfile, country-by-country reporting, special purpose reporting

What we deliver is a customized Transfer Pricing Solution, not just a product!
GTP Challenges in Multinationals

GTP®
MANAGER

Challenges Ahead

... *more than tax compliance*

- **Intra-group Price Setting**: calculations, economics, arm’s length nature, compliance
- **Multinationals**: already in possession of more than 90% of data & documents
- **GTP Management** = budgeting, monitoring, controlling, documentation reporting
- **Components** of modern transfer pricing systems
  - **Internal guidance**: transfer pricing structure & transaction definition
  - **Arm’s length information**: various profitability rates, license rates, prices
  - **Analysis**: assessment of arm’s length nature on cost & profit allocation
  - **Compliance**: documentation & reporting
- **Distinction** between midsized groups and large corporations

- **Objectives of GTP Management**
  - Understanding the price setting – documentation becomes rather a by-product
  - Data and document repository to deliver GTP Documentation cost-efficiently
  - Consistency in group-wide documentation approaches key for audit success
  - GTP documentation is only one of many compliance areas
  - Sustainable corporate governance requires understanding tax risk
  - Drive towards the development of inhouse expertise
Transfer Pricing Management ...

... is a multi-tasking job in multinational groups

- **Definition of Transfer Pricing System**
  - Related parties (entities, permanent establishments)
  - Intercompany transactions
  - Arm’s length information and arm’s length test models
  - Organization of transfer pricing documentation in the group

- **Price setting**
  - Project pricing
  - Product & service transactions
  - Budgeting, forecasting, actuals

- **Monitoring & controlling**
  - Analysis models and transfer pricing system
  - Data availability and accessibility
  - Reporting (default, customized, ad hoc)

- **Compliance, Documentation & Controversy**
  - Group-wide documentation concept and landscape
  - HQ-function (centralized approaches)
  - Integration of external expertise (e.g. local tax expert)
  - Delivery of documentation package upon request
  - Standardization and ad hoc reporting
  - Archiving to be able to report in the audit & controversy process
Who we are and how we are connected?

Managing Transfer Pricing Projects

- Service & solution specialist on cross-border transfer pricing and income allocation
- Expert team with 15 years of experience
  - Business economists
  - Transfer pricing, legal, tax, compliance
  - Cross-industry
- Networked with
  - Intl.' tax specialists around the globe
  - Analytics and BI experts (DACH region)
  - IT implementation teams
- Customer base
  - All types of multinationals (small, mid-sized, large)
  - Transfer pricing projects in more than 140 multinational groups
  - Partnering with tax consulting units around the globe
  - National and international organizations and administrations
- Project types
  - Structuring global transfer pricing systems
    (price setting, arm’s length analysis, arm’s length information, documentation)
  - Stand-alone benchmarks
  - Benchmarks including arm’s length assessment
  - Group-wide documentation, legal entity documentation, BEPS approach
  - Valuation and value chain calculations
Contact

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