

**Deloitte.**

Trends in Transfer Pricing  
Global Research Bulletin

March 2016



# The story in brief

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Businesses are looking to increase control over their Transfer Pricing positions in order to minimize risk. They are becoming more centralized, focusing on process standardization and consistency, and seeking technology-enabled solutions.

Deloitte recently commissioned an extensive, global, independent research study to better understand emerging Transfer Pricing trends. Top tax decision makers from multinational companies who operate in five or more countries and have revenues in excess of \$1 billion USD participated.

The pace of change in the Transfer Pricing world appears to be accelerating as a result of commercial globalization and the OECD's Base Erosion and Profit Sharing (BEPS) initiative.

New regulations and fear of inconsistent application of existing laws are driving risk concerns.

Growing resource challenges stem from both the increased volume of work and the relatively limited number of qualified Transfer Pricing professionals.

There are low levels of satisfaction with the current approach to Transfer Pricing, a high degree of uncertainty, and no single, proven model for success.

Nearly all survey respondents indicated that their organizations rely, to some degree, on outsourcing and anticipate an increasing need for more specialist Transfer Pricing resources, through both in-house recruitment and increased outsourcing.

The trend towards global coordination and centralization is rapidly increasing.

Overall, there is a desire to better leverage technology and increase process automation.

This global research bulletin provides a snapshot of the current state of Transfer Pricing as well as anticipated future trends.

# An evolving landscape

The Transfer Pricing area is subject to a high degree of change and flux. This is primarily driven by external factors including changing regulation, the introduction of BEPS rules, and the increased, but inconsistent, enforcement of previous rules by many tax authorities. In qualitative interviews, respondents discussed the current trends and challenges elevating Transfer Pricing as a key area of focus in their tax function. All of the points below are important because they were unprompted responses to an open-ended question. The implementation of BEPS regulation appears to be the overarching concern and it will likely influence the other factors mentioned by respondents.

**BEPS/OECD regulation or how authorities respond to changes**

**Regulatory change or tougher authority requirements**

**Aggressiveness of tax authorities**

**Country-by-Country reporting requirements**

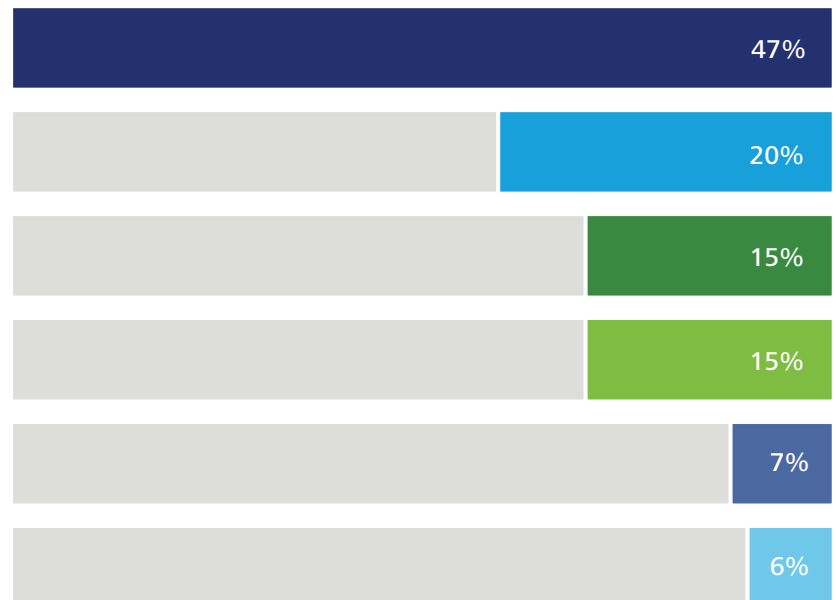
**Changes demanded by audits**

**Local laws or requirements**

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Transfer Pricing is far from a settled, business-as-usual area of tax

Percent of respondents mentioning each as a factor most likely to change the organization's approach to Transfer Pricing



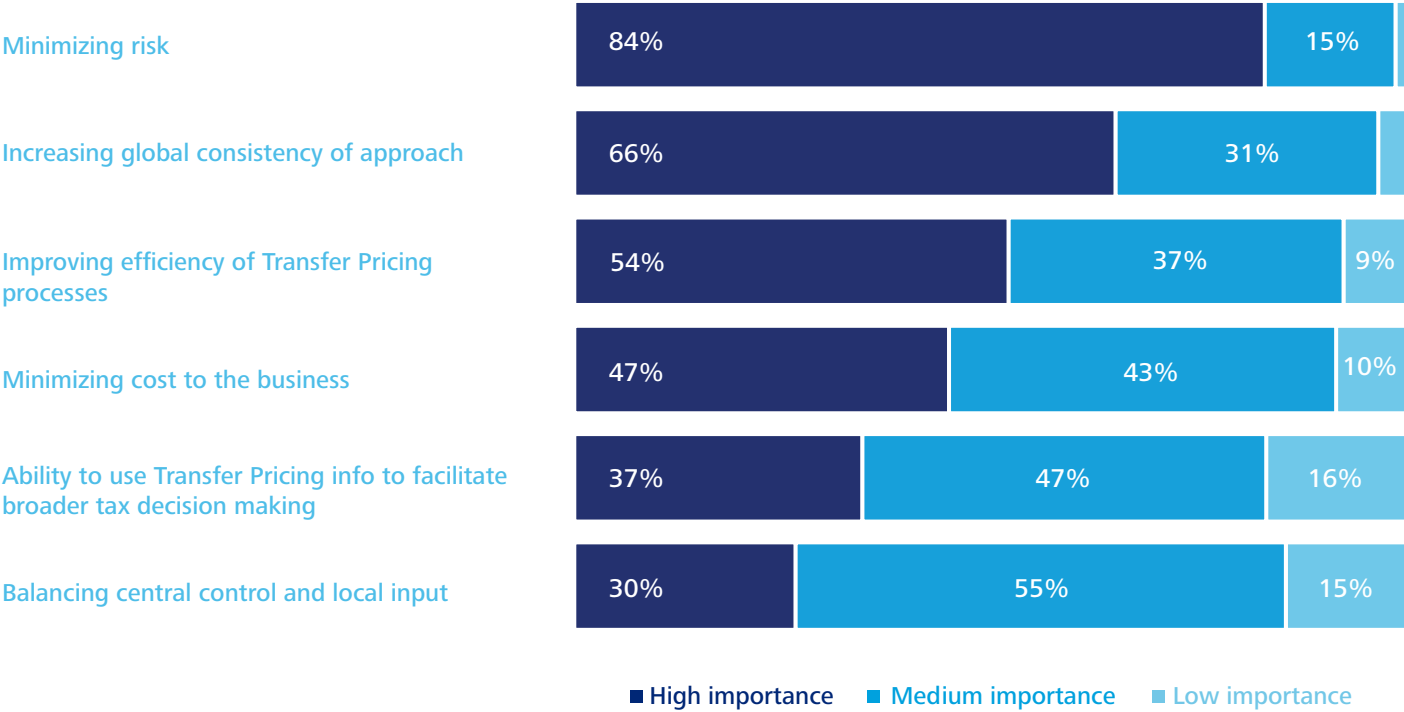
*This question was asked in an open format. Respondents gave answers in their own words, which were then back-coded into the response categories. The total exceeds 100% because some respondents mentioned more than one factor.*

# Focus on minimizing risk through increased control

Companies are looking to minimize risk by increasing the global consistency of their approach to Transfer Pricing. The qualitative interview responses indicated the emphasis on process standardization relates to exerting control over the entire Transfer Pricing function.

The desire for control is driving the focus on process standardization

Global Transfer Pricing Drivers



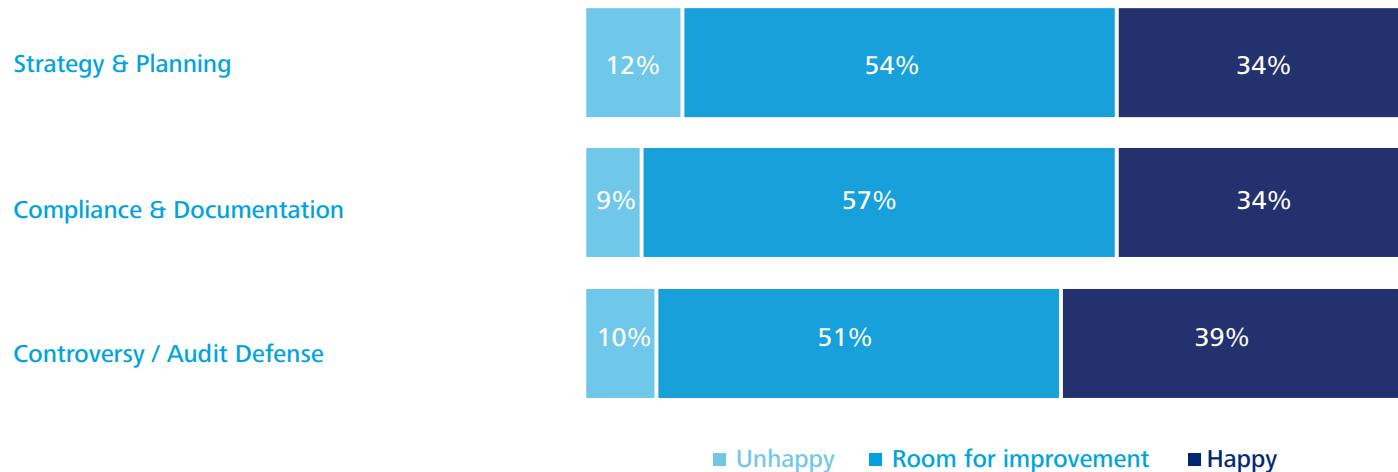
# Inconsistent approaches creating dissatisfaction

There are low levels of satisfaction with the way Transfer Pricing is currently managed. Many respondents cited difficulties in gathering data and a desire to establish a more consistent internal approach.

With the release of additional BEPS guidance in October 2015, there is increasing clarity about the future direction of Transfer Pricing. Businesses are rethinking their approach to Transfer Pricing in light of the tax reset landscape.

There is increased clarity about the future and businesses are rethinking their approach to Transfer Pricing

Overall satisfaction with current method of delivery for each Transfer Pricing area



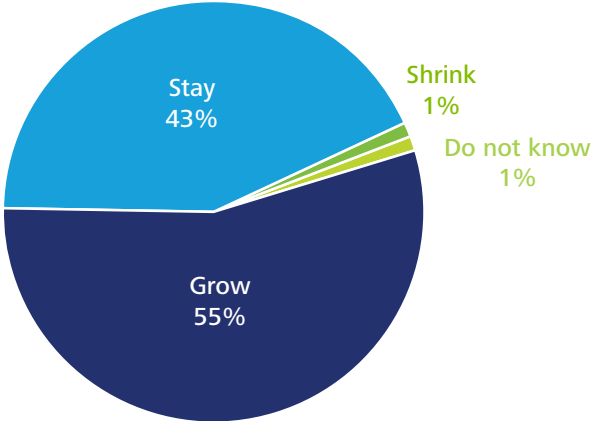
# Resource profile more specialized

Internal resources are limited in terms of the number of professionals with the requisite specialist expertise. This is adding to the sense of risk inherent in the Transfer Pricing area at the moment.

Companies plan to grow their internal Transfer Pricing resources over the next three years, particularly larger companies with more centralized decision making. Transfer Pricing is also likely to become increasingly specialized in terms of the skills and experience required in the future.

Expectations for internal Transfer Pricing resources in next 2-3 years

In the next 2-3 years, 98% of participants expect the need for Transfer Pricing resources to grow or stay the same

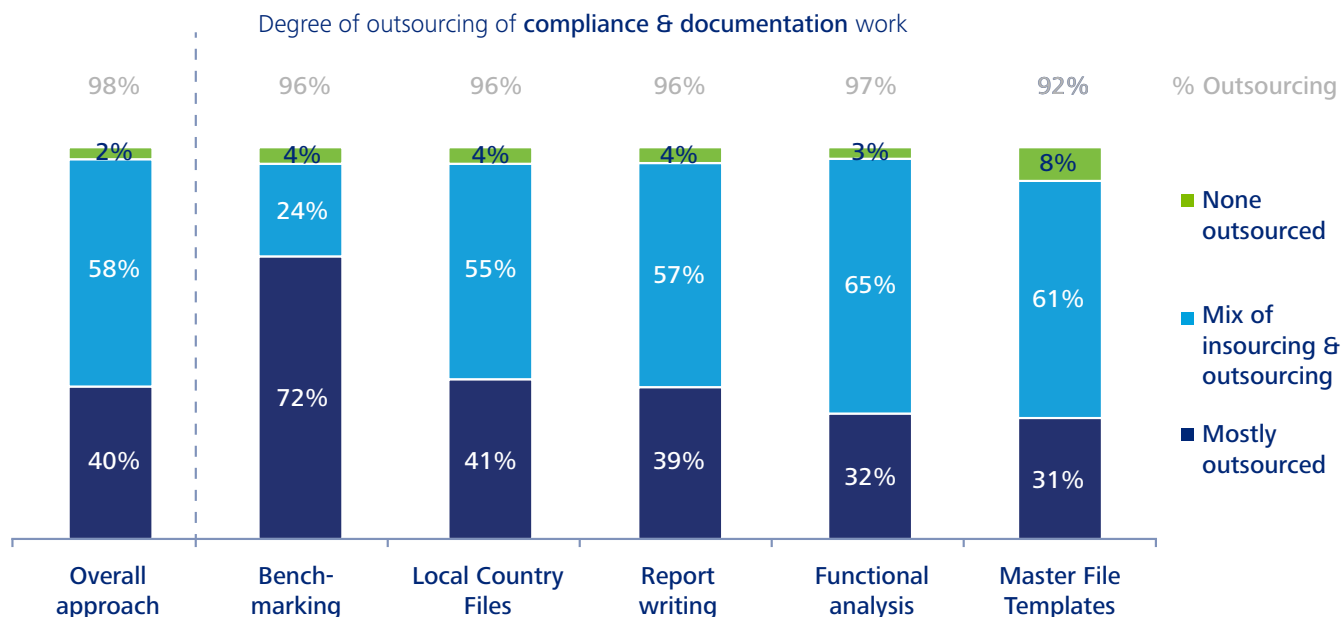


# Outsourcing expected to increase

Given the lack of available internal resources, the increasing volume of Transfer Pricing work, and the need for specialist expertise, it is not surprising that the vast majority of companies already outsource to a high degree.

Some companies are choosing a mixed approach where they are looking to retain some of the control in-house and/or they are keeping costs down by doing more of the 'legwork' internally.

Virtually all companies (98%) are outsourcing compliance & documentation to some extent



Top three reasons for outsourcing more

- ▶ Changing regulations and BEPS
- ▶ Lack of sufficient resources and/or time
- ▶ Obtaining new expertise and external perspective

# Technology needs will intensify

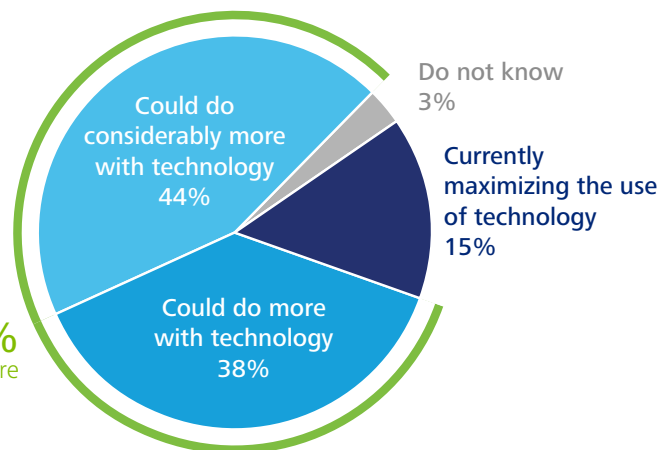
Most companies feel that they are not currently making the most of the technology options available to them in tackling Transfer Pricing obligations and see an increasing need for technology-enabled solutions in the future.

Companies that are most satisfied with their model for compliance & documentation are more likely to feel that they have the right technology in place.

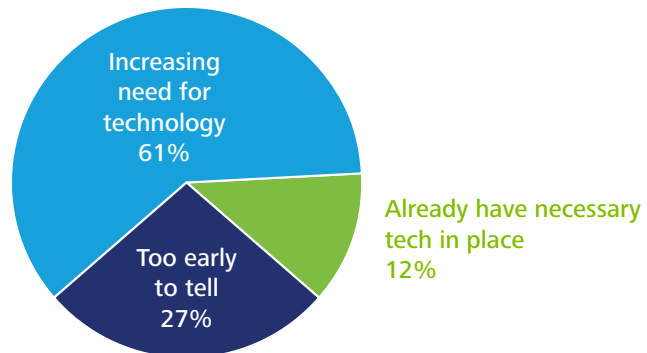
## Having the right technology in place increases satisfaction

Most companies say they could do more with technology for Transfer Pricing Compliance & Documentation

**82%**  
could do more



Expected changes in future technology needs for Transfer Pricing





# Trend toward centralization

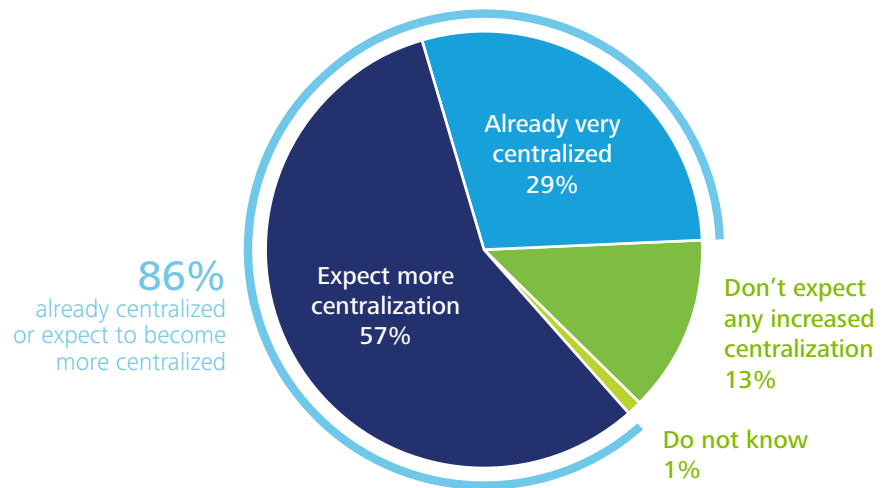
While there are varying degrees, the shift towards centralization in the way Transfer Pricing is managed is rapidly increasing. A vast majority of respondents said their compliance and documentation processes are either already very centralized or expected to become more so in the near future.

The ideal balance of centralization versus “local touch” varies between companies depending on their current structures; an established standard does not exist. Organizations must make use of specific local knowledge and local language skills while building centralized control, consistency and oversight.

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There is no proven model of success and a one size fits all approach will not work

Expectations for centralization of compliance and documentation



## Forward-thinking businesses are taking a **strategic** approach to Transfer Pricing

Forward-thinking companies are taking a strategic approach to Transfer Pricing. They are rethinking their processes, technology choices, and management philosophy of Transfer Pricing activities to better match today's evolving tax landscape.

Deloitte advises in-house Transfer Pricing departments looking to reevaluate their operational approach and offers outsourcing solutions for companies seeking an end-to-end solution. Deloitte also offers proprietary *Digital DoX* technology to help automate data flows, increase process efficiency, and enhance visibility to Transfer Pricing activities across the organization.

There is a global tax reset underway and businesses need innovative, technology-enabled solutions to gain a sense of control over their Transfer Pricing operations. Deloitte is leading many of today's iconic names in business through this period of unprecedented change. Who will you turn to for support?

# About this survey

## Methodology & survey respondent profile

Respondents were key decision makers regarding the purchase of Transfer Pricing services. This was a blind study. Participants were not told Deloitte was the sponsor until after the surveys and interviews were complete.

**Global view:** Companies were selected at random from a Dunn & Bradstreet list based on the following criteria:

- Global revenue more than US \$1 billion
- Operating in five or more countries
- Representative spread of multinational business headquarters locations
- Broad spread of subsidiary locations with good representation across all regions and countries
- Spread of Big 4 Audit relationships
- Representative spread of industry sectors
- Identified target market universe of circa 2,500 companies

**Broad view:** Thirty-minute quantitative interviews with Transfer Pricing decision makers from 251 multinational companies

**Deep view:** Twenty-five qualitative interviews with decision makers from twenty multinational companies responsible for Transfer Pricing on a global basis

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