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Operational Transfer Pricing (OTP) – The time is now
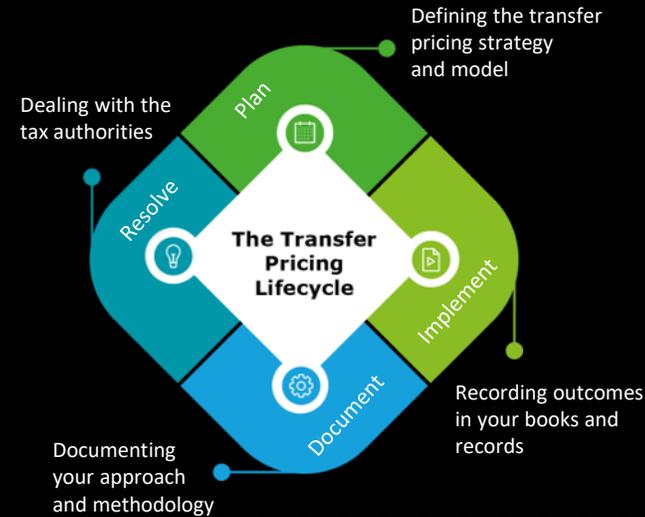
What is OTP?

OTP is the **accurate**, **transparent** and **efficient** implementation of transfer pricing policies in the books and records of a company based on quality **data** and robust **processes** and **controls**.

Why is OTP important now?

- Current **electronic reporting and filing requirements** *(Country by Country Reporting, DAC-06, SAF-T)* have considerably broadened the range of information available to tax authorities, and the speed they receive it;
- **Tax authorities** have **never been in a better position** to perform transfer pricing audits and **to process information;**
- **Tax authorities** are also generally **moving from an outcome testing** approach to a **price testing approach**;
- **Companies must take control** and ensure that their transfer pricing policies are accurately reflected in the financial results, within an appropriate **overall control framework;**
- Significant **year end adjustments** on intercompany transactions may **evidence weak controls** and create undesired outcomes from a tax, customs and VAT perspectives.

OTP touches all points of the transfer pricing lifecycle

Defining the transfer pricing strategy and model

Dealing with the tax authorities

The Transfer Pricing Lifecycle

Plan

Resolve

Implement

Document

Recording outcomes in your books and records

Documenting your approach and methodology

What are the benefits of a well established OTP solution?

- Transfer pricing policies are followed and **applied correctly;**
- Establishes **scalable** and **repeatable** process without dependencies on specific individuals or systems;
- Gives the company **control** and so **help avoid surprises** than can impact the financial results, like major year end adjustments;
- Allows **full traceability of transfer pricing policies**, back to original accounting entries;
- Provides **transparent processes** that enable a clear audit trail to be provided to the tax authorities, as needed;
- Provides a **governance model** to manage transfer pricing controls and processes within large organisations.

What are the building blocks of a successful OTP solution?

Data
- Tax sensitized data with necessary data dimensions, suitably validated.
- Ability to easily incorporate and manipulate disparate data sources.

Processes
- Strong audit trail with clear responsibilities across functions.
- Clear and timely monitoring and adjustment processes.

People
- Correct skills set *(tax, finance, IT)* for now and the future.
- Clear alignment on objectives.

Technology
- All blocks supported by appropriate Technology solutions tailored to fit within, and complement, every businesses' IT environment, strategy and roadmap.
- Automating manual, repetitive and low value-added tasks.