



Transfer pricing

Supply Chain



- Supply chain changes and impact on costs and margins
- Functions replaced by technology
- Restructuring
- Government initiatives

People



- Location of significant people and DEMPE functions
- Where is active decision making and risk management taking place?
- PE risks

Transfer Pricing Policies



- What is arm's length in the current climate?
- Forecast losses
- Cost allocations
- Comparability analysis

Intercompany Agreements



- Breaching of intercompany agreements
- Termination and force majeure clauses

Evidence



- Support for arm's length position
- Commercial rationale
- Contemporaneous forecasts
- Internal and external information

Implementation



- Scenario planning
- Frequency of monitoring and adjustments
- Controls over changes to policies and new data

Tax Authority Engagement



- Existing APAs: review of critical assumptions
- New APAs where restructuring occurred

Next Steps



- Re-evaluate supply chain and operating model
- Analyse support for policy changes
- Evaluate tax authority engagement strategy
- Interactions with other taxes



Addressing the impact of COVID-19

Operational Transfer Pricing: Mitigating operational risk in the current global environment

As the current global environment forces tax teams to do more with less, focus on preserving cash, reduce costs and provide increased value in a difficult business environment ensuring that efficient and appropriate operational transfer pricing processes are in place has never been more important. With this in mind, there are a wide range of short term responses and more longer term changes that can all help mitigate the potential financial and operational impacts of COVID-19







Systems/data



evolve in response to the impacts of COVID-19.

Assess the remote accessibility of systems and ability to access and extract relevant data needed to meet OTP obligations and ensure teams are able to work effectively remotely.

Review reliance on certain key individuals within the OTP process, to ensure in the event of a remote access issue or an individual not being able to work that OTP processes can still be performed in a timely manner.

This might be particularly relevant in the context of complex or "blackbox" Excel spreadsheets.

filings) - notably taking into account any changes in local tax legislation due to COVID-19.

Cost bases for routine entities such as service providers should be proactively analysed to ensure that only relevant costs are being picked up / marked up and recharged to minimise unnecessary cash tax leaks.

Consider potential reduced productivity of employees and increased costs as a result of lockdown and other negative impacts of COVID-19 with knock-on impact on value of services provided.

- internal announcements
- · contemporaneous forecasts
- · external communications

often determines or influences profitability, a "live" view of taxable profits might be very different from at Budget Phase.

Use of dashboards to bring financial data to life allowing easy visualisation of distributor returns and forecasts of profits and losses across the group.

Tax teams should then consider reviewing and/or refreshing these forecasts across the different jurisdictions in the group, assessing the implications in each and also actions that can be taken.

By continuously working closely with other areas of the business, such as Accounting, IT and Legal, the different impacts of COVID-19 can be monitored real time and ensure that the appropriate operational actions are taken. To this extent, regular key stakeholder meetings are key in aligning short term actions of the

Ensuring there are is a robust governance model in place for tax decision making (which can be adjusted for staff absence) and adequate tax training can also help ensure that the correct processes and procedures are being carried out and therefore mitigate any further risks.

By ensuring that appropriate OTP processes are in place, and by standardisation of these processes. the business can not only be managed in terms of the impacts of the current global environment, but it can also be supported going forward.

Build flexible, sustainable, valueadding controls in the new working processes in order to make them more robust and the business more resilient to future global impacts.

Use of automation techniques supported by appropriate technology, from advanced Excel, OTP specific software or solutions or full finance transformations, can help streamline and automate manual Excel-based transfer pricing processes, and at the same time can help future proof the TP function going forward from other operational risks that may occur.

THRIVE

The standardisation of processes and automation of the OTP model can help alleviate pressure on stretched tax teams, whilst documentation of processes can minimise kev man risk.

The additional time created in automating and standardising processes can also allow tax teams to concentrate scarce internal resources on high-value added activities.

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