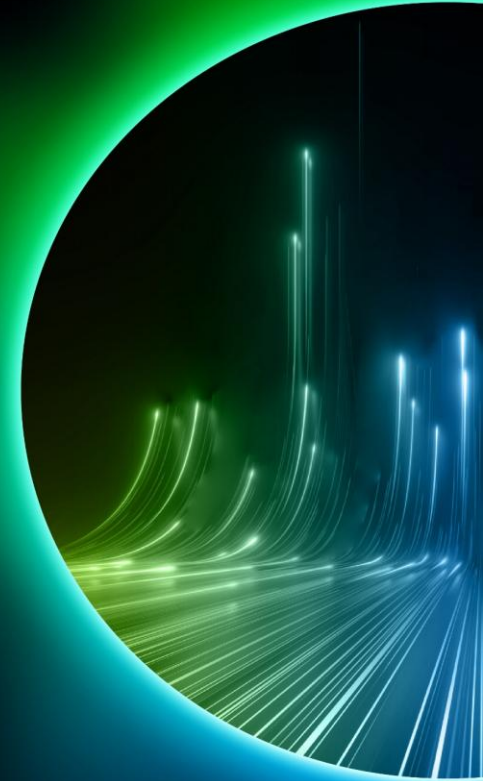
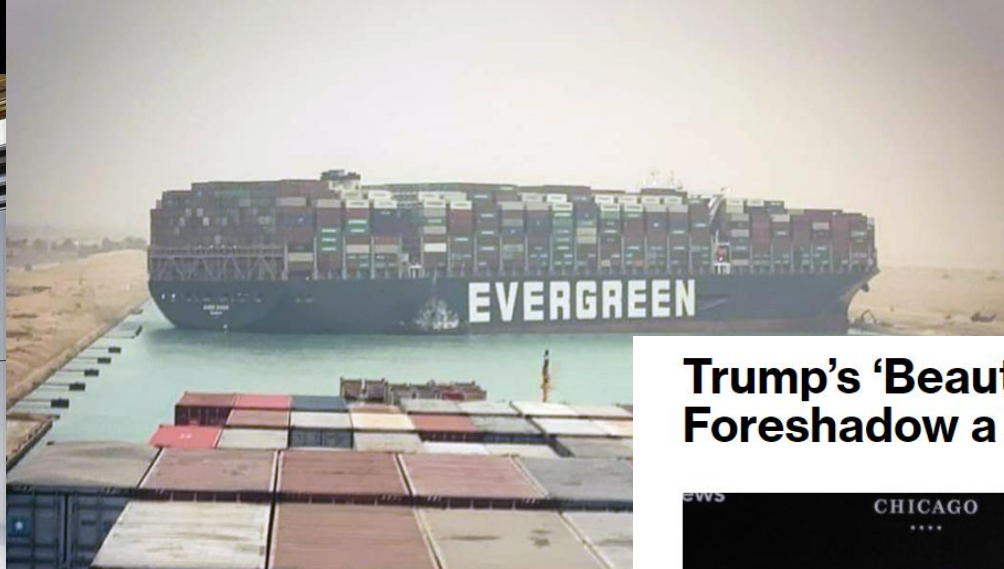


Supply chain intelligence

Supply chain management –
Tool-based analytical
Approach



Supply Chain Planning and Transfer Pricing



Trump's 'Beautiful' Tariffs Foreshadow a Big Policy Experiment



Former US President Donald Trump. *Photographer: Christopher Dilts/Bloomberg*

By [Chris Anstey](#).

October 16, 2024 at 1:00 PM GMT+2

Supply Chain Planning and Transfer Pricing

Changes to Supply Chains

- Can be planned, intentional changes
- Can be involuntary changes due to external circumstances
- Are rarely ever initiated by the tax function, but rather „happen to“ the tax function

Analysis of Supply Chain Changes

- Almost always require review of/changes to **transfer pricing**
- In many cases, there is both a lot of (time) pressure as well as high stakes involved
- Almost always leave **options** with different tax consequences
- For effective and smart **decision making**, preview of tax impact is required on short-notice at high-level

Effective communication of tax implications with different stakeholders and decision makers needed

Supply Chain Planning and Transfer Pricing

Some Recent Examples

#	Case	Description	Key Tax Questions
1	New customs barrier	<ul style="list-style-type: none">• Short-notice raise of significant tariff on products destined for US market• Significant cost increase that cannot fully be passed on to customers, loss of profit	<ul style="list-style-type: none">• What is the net (cash) impact of the new tariffs considering also secondary effects?• Which mitigation options are available and how can the overall impact on taxes and tariffs be assessed?
2	Near-shoring	<ul style="list-style-type: none">• Build up of additional production capacities and transfer of certain activities from Asia to Europe to increase supply chain resilience	<ul style="list-style-type: none">• Exit taxation (duplication vs. transfer)?• Determination of new transfer prices and CIT impact• Tariffs and VAT impact of new transaction?
3	Merger of software platforms	<ul style="list-style-type: none">• Merge software operations of different acquired former competitors to one platform	<ul style="list-style-type: none">• Exit taxation vs. tax rate effect• Scenario analysis with existing APA structure maintained vs changes that will dissolve the APA-secured transactions
4	Centralization for cross-selling opportunities between separate brands	<ul style="list-style-type: none">• Preselection of small number of preferred target models by business• Tax and legal assessment to sense-check and narrow down options to best target model	<ul style="list-style-type: none">• Tax effect should not compromise profitability effect• Do not miss ETR opportunities• Understand magnitude of permanent establishment risk

Introducing Supply Chain Intelligence (SCI)

SCI is Deloitte's cloud-based tool used to support the **understanding and evaluation of your global supply chain** from a tax perspective. SCI further facilitates the **development and presentation of supply chain and IP outcomes** resulting from a **broad range of business changes**, including the anticipated **transactional, operational, and tax impacts**.

While SCI can adapt to multiple use cases, it is primarily intended to...

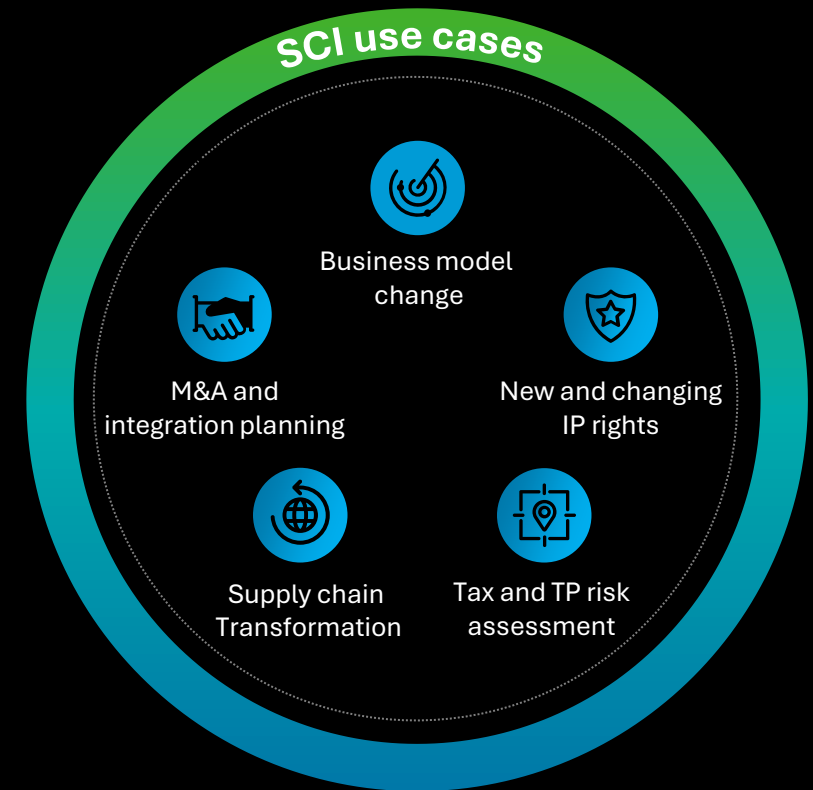
**Accelerated
decision
making**

...facilitate a faster and more efficient communication from brainstorming and feasibility phases to detailed design and implementation phases

**Strategic
thinking**

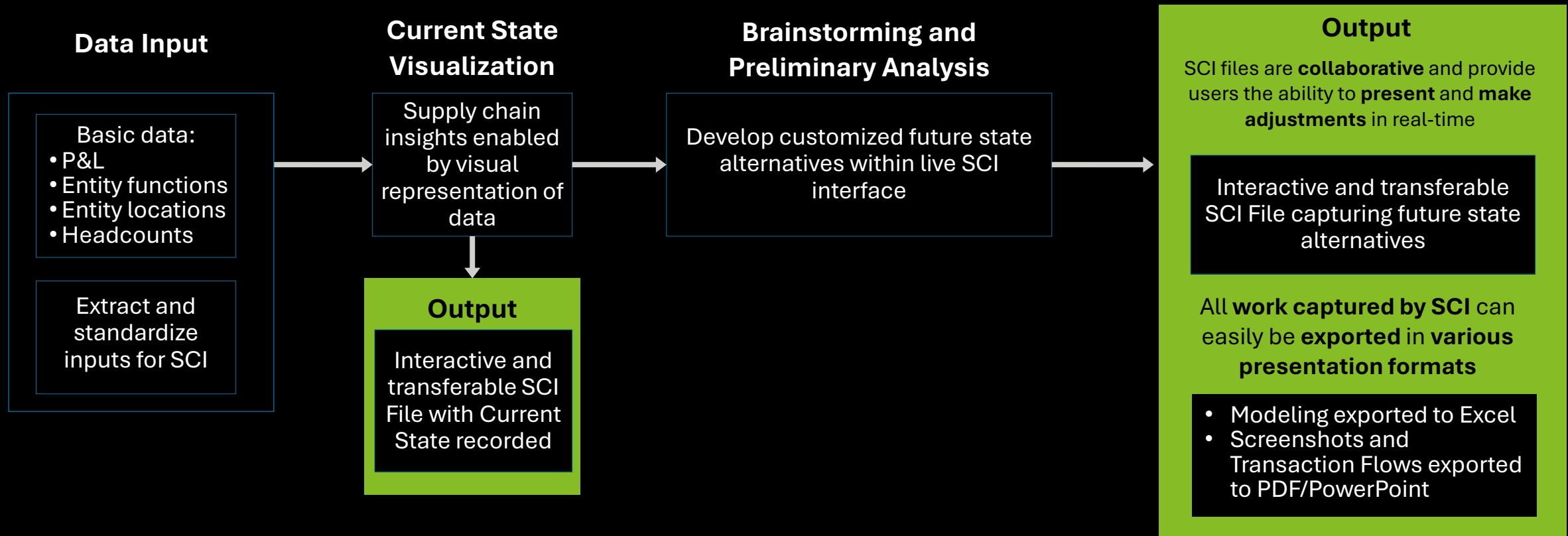
...efficiently bring a strategic tax perspective to supply chain and IP assessments

SCI use cases



How does SCI work?

SCI processes and maps data to create a visual representation of a your global supply chain. It facilitates a **dynamic and streamlined approach** to supply chain and IP assessments, including future state ideation, and perspectives on planning outcomes via an **interactive landscape of features**.



Key features and capabilities of SCI



Visual representation of current state supply chain, including transaction flows, functional profile, and financial metrics



Engaging and immersive interface for brainstorming and ideation



Embedded transaction flow builder for design of future state supply chain and IP alternatives



Built-in model to estimate the direct tax impact of future state alternatives



Change management log to help assess the operational impacts of future state alternatives

Financial Insights Overviews

Current State					Future State				
Op Profit (OP)	Op Margin (OM)	Tax	Tax Rate (TR)		Op Profit (OP)	Op Margin (OM)	Tax	Tax Rate (TR)	
\$93M	16.5%	\$23M	24.7%		\$93M	16.5%	\$23M	24.7%	

Name	OP (\$)	OM (%)	Tax (\$)	Diff (\$)	TR (%)
ClientCo Phil...	\$2.9M	15.3%	\$725K	\$138K	25.0%
ClientCo Singa...	\$1.8M	10.2%	\$309K	\$0	17.0%
ClientCo Thaila...	\$2.3M	12.9%	\$464K	(\$88K)	20.0%
US Procureme...	\$988K	100.0%	\$148K	\$148K	15.0%

Sample outputs for illustrative purposes only

Integrated Tax Impact and Change Management Snapshots

US CoE ...

(\$1.2M)
Tax Impact

Functional ●

System ●

Legal ●

US IP License ...

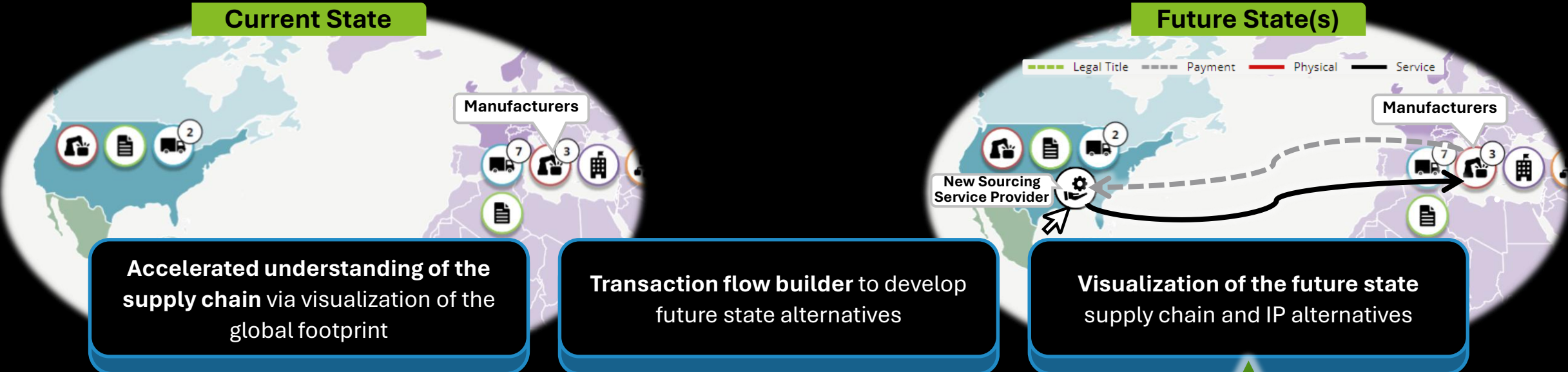
(\$5.1M)
Tax Impact

Functional ●

System ●

Legal ●

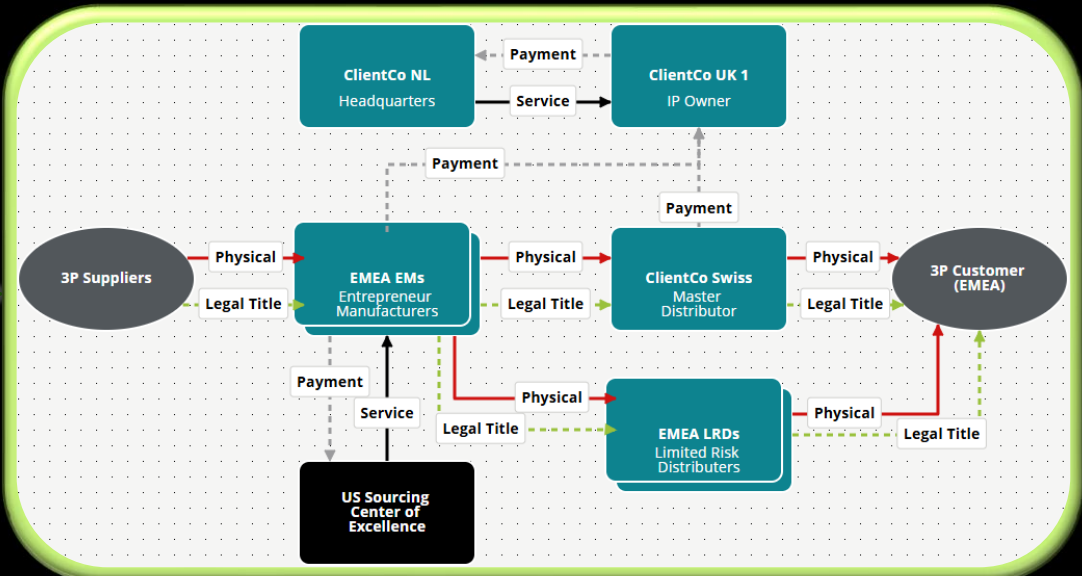
Enhanced appreciation of current state supply chain and corresponding financial metrics drives collaborative brainstorming and strategic future state design via embedded transaction flow builder



Accelerated understanding of the supply chain via visualization of the global footprint

Transaction flow builder to develop future state alternatives

Visualization of the future state supply chain and IP alternatives



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Questions

