wts TAX LEGAL CONSULTING

Global Transfer Pricing Survey in 79 Countries

(Management) service charges

WTS Alliance Survey Participants

- 79 countries participated including:
  - The EU Member countries
  - Almost all OECD countries (2 not)
  - The BRIC countries

WTS – Survey Participating Countries

Albania • Argentina • Austria • Australia • Bahrain • Belgium • Brazil • Bulgaria • Cambodia • Canada • China • Columbia • Costa Rica • Croatia • Cyprus • Czech Republic • Denmark • El Salvador • Estonia • Finland • France • Germany • Georgia • Ghana • Greece • Guatemala • Honduras • Hong Kong • Hungary • India • Ireland • Israel • Italy • Japan • Korea • Kosovo • Kuwait • Laos • Latvia • Lithuania • Luxembourg • Malaysia • Malta • Mauritius • Mexico • Myanmar • Netherlands • New Zealand • Nicaragua • Nigeria • Norway • Oman • Pakistan • Panama • Philippines • Poland • Portugal • Qatar • Romania • Russia • Saudi Arabia • Serbia • Singapore • Slovakia • Slovenia • Spain • Sweden • Switzerland • Thailand • Trinidad and Tobago • Turkey • Turkmenistan • United Arab Emirates • Ukraine • United Kingdom • USA • Uruguay • Uzbekistan • Vietnam

Intragroup (Management) Service Charges: a hot topic

- » OECD action plan on Base Erosion and Profit Shifting (“BEPS”) calls management fees and head office expenses common types of base eroding payments.
- » Intragroup (management) service charges are often an easy target during tax audits.
- » 80% of the countries in the survey stated that the local tax authorities focus (increasingly) on the transfer pricing of services during tax audits.
- » Based on the OECD guidelines and various local transfer pricing rules, a company needs to substantiate the arm’s length character of the (management) service charge.
- » Appropriate transfer pricing documentation is recommended in 90% of the countries: in 48 it is even required.

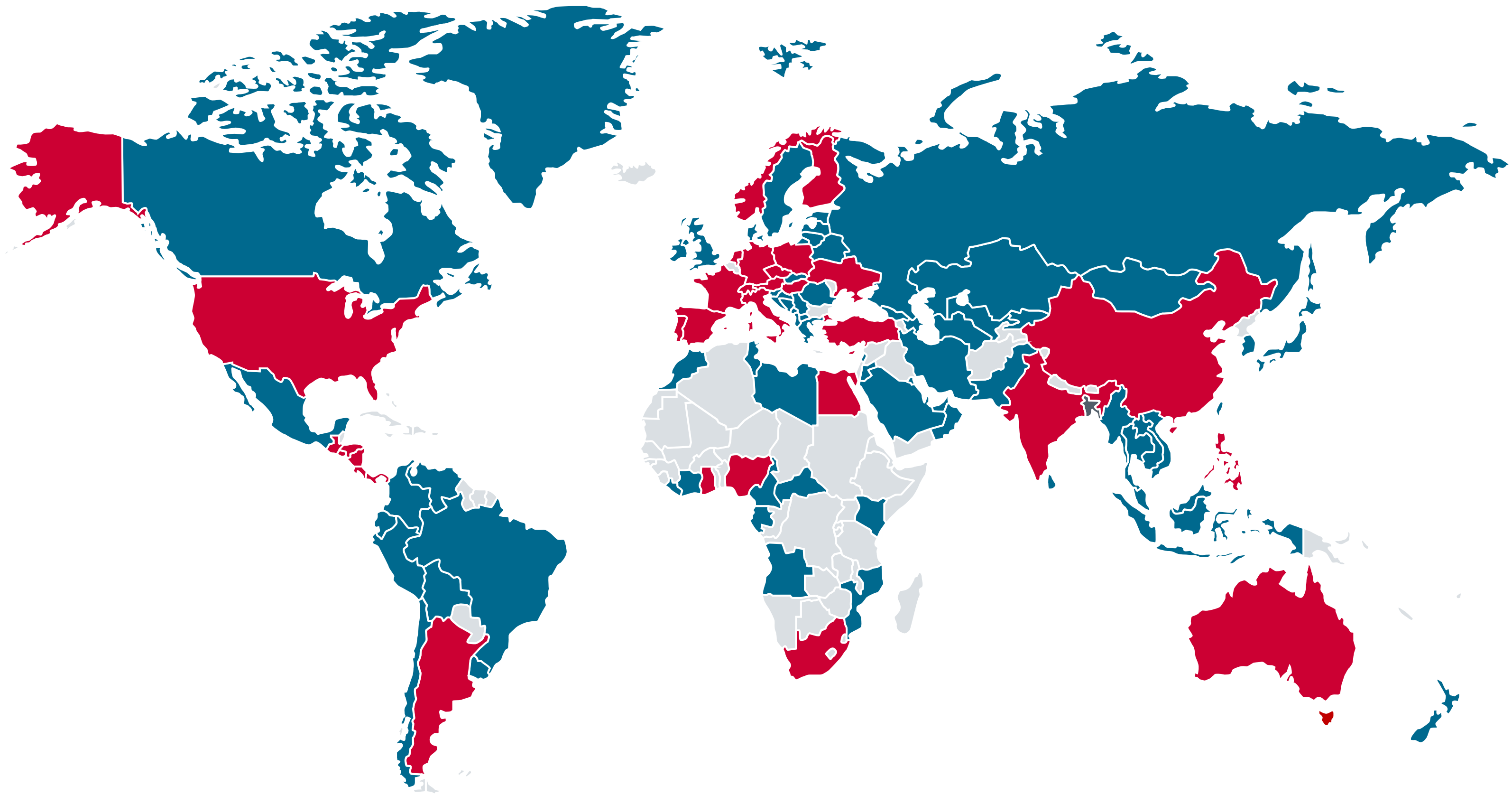
The cost of doing it wrong

- Tax adjustments including penalties and interest.
- In some countries penalties for lack of transfer pricing documentation.
- Possible, and often significant, double taxation.
- Substantial costs internally (management time) and externally (e.g. tax advisors) to get it right.
- Reputation risk

Solutions that can be offered by WTS Alliance worldwide

- » Set-up and implementation of a worldwide acceptable transfer pricing policy.
- » Draft transfer pricing documentation to defend the past.
- » Draft benchmarking study to substantiate an arm's length remuneration.
- » Draft legal agreements and other legally required/recommended documentation.
- » Defence of the transfer pricing system during tax audits.
- » Assist with the set-up of a practical way to document proof of service, the benefit for the service recipient as well as materiality thresholds to keep the system practical.
- » Conclude an Advance Pricing Agreement with the local authorities.

WTS Alliance Countries



WTS Alliance Member
Cooperation Partner

Jan Boekel

International Tax Advisor

TP specialist

WTS World Tax Service BV

Conradstraat 18
3013AP ROTTERDAM

T +31 (0) 10 217 9172
M +31 (0) 6 2157 7047
F +31 (0) 10 217 9170

E-mail: jan.boekel@wtsnl.com
www.wtsnl.com