Editors			£	V
Contrib	utors		stices ustin Radziewicz & Jay Hudson	vii
List of A	Abbrev	riation	s	lxxi
		90		
Preface				lxxix
CHAPTER	1			
Overvie			rtices	
Michelle	. John	son, Jı	ustin Radziew ⁱ cz & Jay Hudson	1
C1 01	TT71	T - TT -	and Delay and Why Door It Eviet?	3
§1.01			ansfer Pricing and Why Does It Exist?	4
	[A]		fer Pricing Example	6
	[B]		s-Length Standard	O
			Arm's-Length Standard as Defined in the US Transfer Pricing Regulations	7
		<u> 121</u>	Arm's-Length Standard Defined in the OECD Guidelines	7
		[3]	Exceptions to the Arm's-Length Standard	8
	[C]		rtance of Transfer Pricing to Today's Multinational	O
	[C]		panies	8
		[1]	High -Profile Litigation Cases	8
		[2]	OECD Guidelines – BEPS Action Items	9
		[3]	Significant Tax Reform in the United States	9
	[D]		pean Union Enforcement of CbC Reporting and	
			r Transfer Pricing Measures	10
		[1]	Who Cares About Transfer Pricing?	11
			[a] Tax Departments	11
			[b] Chief Financial Officers	12
			[c] Operations	13
			[d] Accounting Departments	13
			[e] Legal Counsel	14

			[f]	Governi	ment Authorities	14
					f Directors	14
			10.		ndent Auditors	15
					nning and Compliance Advisors	15
1.02	Trans	efer Pri		ifecycle		15
1.02	[A]		: 1: Pla	(2.4)		16
	[21]				tercompany Transactions for Analysis	18
		[2]			company Transactions	18
		[2]			e Property Transactions	18
				-	ble Transactions	18
					s Transactions	20
					ng and Insurance Transactions	21
					ontribution Arrangements	22
		[3]			itize Risk Areas	23
		[4]			luct Functional Analysis Interviews	24
		[5]	Deter	mining	How to Price Intercompany Transactions	26
		[6]			nsfer Pricing Methods	26
		[0]	[a]	Prioriti	zation of Methods of Analysis	27
		[7]			omparable Companies	29
		85.7	[a]		rability Considerations	30
			[b]		phic Differences	31
		[8]			h Range	32
		[9]			Versus Multiple-Year Data	34
		[10]	Speci	fic Tran	sactional Considerations	35
			[a]	Loans	and Loan Guarantees	36
			[b]	Stock	Option Expense	37
	[B]	Phas	se 2: In	npleme	ntation	37
		[1]	Key I	mplem	entation Steps and Timeline	38
		75 2750	[a]		: Communicating Transfer Pricing	. \ \
				Policie	es to Key Stakeholders	38
				[i]	Local Country Tax Personnel	> 38
				[ii]	Senior Management	39
					Operations Personnel	39
				[iv]	IT and Accounting Departments	39
					Legal Department	40
				[vi]	Tax Planning and Compliance Advisors	40
			[b]		: Drafting and Executing Intercompany	41
					ments	41
			[c]		: Determining Internal Pricing Mechanism	42
			[d]		H: Monitoring	44
			[e]		5: Developing Transfer Pricing Policy	4.5
					rocedure Manuals	45
				[i]	Accounting and Systems Manuals	45
				[ii]	Headquarter Service Allocation Manuals	
			¥2	[iii]	Tax Department Policy and Procedures Manuals	s 40

	[C]	Phase	3: Co	mpliance and Documentation	46
	H	[1]		mentation Strategies and Considerations	46
				Performing a Risk Assessment to Optimize	
				Documentation Strategy	48
				[i] What Protection Do Transfer Pricing	
				Documentation Reports Provide?	48
				[ii] Evaluating the Cost/Benefit of Documentation	49
			[b]	Decisions Concerning Local Country Documentation	50
				[i] Direct Local Country Documentation	50
			F. 5	[ii] CbC Documentation	51
			[c]	Planning Reports	52
			[d]	Limited Study	52
		[2]		mentation Review and Updates	53
	[D]			adit and Controversy	54
		[1]		Practices for Transfer Pricing Audits	54
	A	0	[a]	Understand Your Risk	55
	~0		[b]	Centralize Efforts and Develop a Clear Chain	55
56	O		C 1	of Command	56
28	5		[c]	Control Information Flow	57
10		r-1	[d]	Do Not Panic	57 57
2		[2]		essing Transfer Pricing Disputes Between Countries	58
			[a]	Nature of Conflicts	59
			[b]	Mutual Agreement Procedures	61
			[c]	Advanced Pricing Agreements	01
§1.03				sic Information on Transfer Pricing Rules	62
		2.00		Documentation Requirements and Penalties	64
§1.04	Conc	lusion	L		04
Снарте					
			ing G	uidelines	~-
Andreu	v Cousi	ns			65
§2.01	The C	DECD	Trans	fer Pricing Guidelines	67
	[A]			the OECD Transfer Pricing Guidelines	67
	[B]	Cont		f the OECD Transfer Pricing Guidelines	70
		[1]	The	Arm's Length Principle	71
			[a]	Statement of the Arm's Length Principle	71
			[b]	A Non-Arm's-Length Approach: Global Formulary	
				Apportionment	72
			[c]	Guidance for Applying the Arm's Length Principle	73
		[2]		sfer Pricing Methods	75
			[a]	Traditional Transaction Methods	76
				[i] Comparable Uncontrolled Price Method	76
				[ii] Resale Price Method	77
				[iii] Cost Plus Method	78

			[b]	Transactional Profit Methods	79
			[0]	[i] Transactional Net Margin Method	79
				[ii] Transactional Profit Split Method	79
		[3]	Comi	parability Analysis	81
		[4]		inistrative Approaches to Avoiding and Resolving	
		[4]		efer Pricing Disputes	82
		(6)		mentation	84
		[5]		Master file	84
			[a]		85
			[b]	Local file	85
		[2]	[c]	CbC Report	86
		[6]		ial Considerations for Intangible Property	88
		[7]		ial Considerations for Intra-Group Services	90
		[8]	Cost	Contribution Arrangements	92
	7 5 20	[9]	Irans	sfer Pricing Aspects of Business Restructurings	94
§2.02				ance and Projects of the OECD Relating	93
				ng Matters	93
	[A]			of Profits to Permanent Establishments	95
	[B]			r Developing Nations	95
	[C]			esolution	
§2.03				Guidance of Other International Bodies	96
	[A]			int Transfer Pricing Forum	96
		[1]		e of Conduct for the Effective Implementation	0.77
				e Arbitration Convention (2004)	97
		[2]		e of Conduct on Transfer Pricing Documentation	
			for A	Associated Enterprises in the EU (2005)	97
		[3]	Guid	lelines for Advance Pricing Agreements ('APAs')	
				ne EU (2007)	98
		[4]	Guid	delines on Low-Value-Adding Intra-Group	, 1
			Serv	rices (2011)	98
		[5]		ntial Approaches to Non-EU Triangular Cases (2011)	98
		[6]	Repo	ort on Small and Medium Enterprises ('SMEs')	
				Transfer Pricing (2012)	98
		[7]	Repo	ort on Cost Contribution Arrangements on Services	
		5 35/	Not	Creating Intangible Property ('IP') (2012)	98
		[8]		ort on Secondary Adjustments (2014)	99
		[9]	Rep	ort on Transfer Pricing Risk Management (2014)	99
		[10]		ort on Compensating Adjustments (2014)	99
		[11]		ort on Improving the Functioning of the Arbitration	
			Con	vention Including a Revised Code of Conduct for the	
			Effe	ctive Implementation of the Arbitration Convention	99
		[12]		rk Programme	100
	[B]			ractical Transfer Pricing Manual for	
	[D]			ng Countries	101
	[C]	Trai	nsfer F	ricing and Developing Economies: A Handbook	
	[-]	for	Policy	Makers and Practitioners	102

Chaptei Argenti						
Matías	Federio	co Loz	zano &	& Crist	ian E. Rosso Alba	103
§3.01	Impo	rtance	e of Tr	ansfer	Pricing for Multinational Enterprises	
				entina		105
§3.02	Regu			ework		107
	[A]		l Auth			107
	[B]	Tran			Penalty Framework	109
		[1]			Comply with Formal Obligations of	
					al Operations Returns	109
		[2]			Retain Documentation	110
		[3]			Comply with Income Tax Payment Obligations	110
		[4]			ip between Fulfilling Documentation	
					nts and Protection from Adjustments	111
	[C]				andard	111
§3.03			_		ppriate Intercompany Price	112
	$[\Lambda]$			election		112
~	[R]			les Sel		113
, 0	*	[1]			omparables	113
de		[2]		parabl		114
			[a]		ed Party Rules	114
			[b]	Meth		115
				[i]	Comparable Uncontrolled Price Method	
					(Precio Comparable entre Partes	
				F.1.3	Independientes)	115
				[ii]	Resale Price Method (Precio de Reventa	200
				frui?	entre Partes Independientes)	117
				[iii]	Cost Plus Method (Costo más Beneficios)	119
				[iv]	Profit Split Method (División de Ganancias)	120
				[v]	Transactional Net Margin Method	2.22
					(Margen Neto de la Transacción)	121
				[vi]	Quotation Price at the Shipment Date	
					Method (If Higher Than the Contractual	
					Price) or Sixth Method (<i>Precio de Cotización</i>	122
	[0]	-		# 5#8 KI	a la Fecha de Embarque)	122
62.04	[C]				Adjustments	123
§3.04					r Actual Pricing	123
	[A]				Documentation Requirements	123
		[1]			ation Requested in Operations with	100
					Parties (F. 741)	123
			[a]		estral Return with Unrelated Parties (F-741)	123
		[a]	[b]		ual Return with Unrelated Parties (F-867)	123
		[2]			ation Requested in Operations with	124
			Kela	ted Pa	rues	124

		Committee of the Commit
ľahla	ot	Contents
laule	OI	COHICHIS

		[3]	Trans	fer Pricing Report	126
		[4]		ment Retention Requirements	126
		[5]		aple of Requested Documentation	126
		[6]		ervation of Documents	127
	[B]	Relat		p between Fulfilling Documentation Requirements tion from Adjustments	128
	[C]			of Compliance Reports for Purposes of renalties	128
§3.05	Hot 7	Topics,	/Speci	al Considerations In Local Country Transfer Pricing	128
§3.06	Loca	l Coun	itry Ac	lministrative Practices	129
	[A]	Avail	ability	of Advanced Pricing Agreements	130
	[B]	Acces	ss to C	Competent Authority	130
	[C]	Othe	r Item	S	131
§3.07	Signi	ficant	Trans	fer Pricing Litigation	131
	[A]	Indu	strial I	Manufacturing Sector	132
	[B]	Phar	maceu	itical Industry	134
	[C]	Com	modity	y Export Sector	136
Снартек Australi Stean H	ia	porth			139
мешн 11	шизи	OILIL			
§4.01		_		of Transfer Pricing for Multinational	1 41
		-		ating Within Australia	141
§4.02	_	2.70		ework	145
	[A]		l Auth		145
		[1]		livision 815-A of the ITAA 1997 (repealed)	146
		[2]		livisions 815-b, 815-C and 815-D of the ITAA 1997	146
			[a]	Arm's-Length Conditions	147
			[b]	Transfer Pricing Benefit	148
			[c]	OECD Guidance	148
			[d]	Economic Substance Requirement	148
			[e]	Reconstruction Powers Interaction Between Transfer Pricing and Thin	148
			[f]	Capitalization	149
			[g]	Subdivision 815-C: Arm's-Length Principle	
			.01	for Permanent Establishments	149
			[h]	Subdivision 284-E: Special Rules About Unarguable	
			[**]	Positions for Cross-Border Transfer Pricing	149
			[i]	Subdivision 815-D: Special Rules for Trusts and	
			[1]	Partnerships	150
			[j]	Subdivision 815-E: CbC Reporting	150
			[k]	Penalties	150
		[3]		Laws Amendment (Combating Multinational Tax	150
		[3]		idance) Act 2015	150

	[4] Other Sections of the Income Tax Legislation	153
	[5] Double Tax Agreements (DTAs)	153
	[a] DTA Article 5: PE	154
	[b] DTA Article 7: Business Profits	155
	[c] DTA Article 9: Associated Enterprises	155
	[d] OECD Multilateral Convention to Implement	
	Tax Treaty Related Measures to Prevent BEPS	156
	[6] Transfer Pricing Rulings and Publications	157
	[B] Relationship with OECD Guidelines	160
	[C] Transfer Pricing Penalty Framework	161
§4.03	Determining the Appropriate Intercompany Price	163
	[A] Method Selection	163
	[1] Selection of the Most Appropriate Method	163
	[2] Internal Pricing Mechanism Versus Independent Testing	
	of Transfer Prices	163
	Discussion of the Methods	163
	[4] Types of Dealings TPMs Typically Applied to	165
	[B] Comparability	166
	[1] Functional Analysis	168
10	[2] Practical Issues Associated with Identifying Comparable	
C	Companies in Australia	170
	[3] Use of Foreign Comparables in Australia	171
	[4] Use of Databases in Australia	171
§4.04	Developing Support for Actual Pricing	172
	[A] Transfer Pricing Documentation Requirements	172
	[1] Statutory Requirements	172
	[2] Simplified Transfer Pricing Record Keeping	172
	[3] Tax Return Disclosures	179
	[4] The ATO's Five Key Questions Approach	179
	[5] Deadline to Prepare Documentation	181
	[B] Relationship Between Fulfilling Documentation Requirements and Protection from Adjustments	183
	[C] Sufficiency of Compliance Reports for Purposes of	103
	Applying Penalties	183
§4.05	OECD Action 13 of the BEPS Initiative: CbC Reporting	184
§4.06	Hot Topics/Special Considerations in Local Country Transfer Pricing	191
	[A] Intra-Group Finance Guarantees and Loans	191
	[B] Business Restructuring	198
	[C] Offshore Hubs	199
§4.06	Local Country Administrative Practices	205
	[A] Advanced Pricing Agreements	205
	[1] APA Process	206
	[2] Annual Compliance Reports and Compensating	
	Adjustments	212

Table	of	Contents
Idille	UI.	Conficints

	[B] Access to Competent Authority [1] The MAP Process [C] The ATO Risk Review and Risk Assessment Process	213 214 215 215
64.07	[2] ATO Transfer Pricing Risk Review Process Significant Transfer Pricing Litigation	216
§4.07	[A] Chevron Australia Holdings Pty Ltd v. FCT	216
	[B] SNF (Australia) Pty Ltd v. FCT [2010] FCA 635	219
	[C] Roche Pty Ltd v. FCT 2008 ATC 10-036	220
§4.08	Country-Specific Planning Opportunities	221
§4.09	List of Abbreviations	222
Снартен	3.5	
Belgiun	n	225
Natalie	Reypens	
CF 01	Importance of Transfer Pricing for Multinational Companies	
§5.01	Operating Within Belgium	227
CF 02	Regulatory Framework	228
§5.02	[A] Legal Authority	228
	[1] Article 185 Section 2 ITC	229
	[a] Scope of Application	229
	[b] Adjustments	230
	[2] Abnormal or Benevolent Advantage Granted:	221
	Article 26 ITC	231
	[a] Escape Clause	233 234
	[b] Exceptions to the Escape Clause	234
	[3] Abnormal or Benevolent Advantage Received:	235
	Articles 79 and 207 ITC	233
	[4] Interconnection Between Article 185 §2 ITC and	238
	Articles 26, 79 and 207 ITC	239
	[5] Other Provisions	240
	[B] Relationship to OECD Guidelines	241
	[C] TP Penalty Framework	241
	[D] Arm's-Length Standard	243
§5.03	Determining the Appropriate Intercompany Price	243
	[A] Method Selection [1] Traditional Transaction Methods	243
	1 Die Mothod	243
		244
	[b] Resale Price Method [c] Cost Plus Method	244
	and control de	245
	[2] Transactional Profit Methods [a] Profit Split Method	245
	[b] Transactional Net Margin Method	246
	[3] Transaction Analysis	247

2009 101 001 494	GREENSTEIN VICTOR STREET
Table of	Contonte
rame or	Contents

	[2	l] Metho	d Selection by Transaction Type	248
	L.		Service Activities	248
		Fac. 7	Finance Activities	249
			Distribution Activities	250
		F-1	Manufacturing Activities	251
		1150-050	Intangibles	251
	[B] C		es Selection	251
c = 0.4	Develo	ning Sunne	ort for Actual Pricing	252
§5.04	[A]	'P Docume	ntation Requirements	252
	[B] I	Relationshi	p Between Fulfilling Documentation Requirements ion from Adjustments	254
	[C] S	and Froteon Sufficiency	of Compliance Reports for Purposes of	
	[0]	Applying Po	enalties	254
§5.05	Hot To	pics/Speci	al Considerations in Local Country TP	254
§5.06	Local	Country Ac	lministrative Practices	255
35.00	[A]	Availability	of Advanced Pricing Agreements	255
			Ruling Commission	255
		[a]	Ruling Procedure	255
		[b]	TP Rulings	257
TOTAL C	131		Competent Authority	258
10	A DECOROGIO	Other Item		260
13			udits	260
§5.07		icant TP Li	tigation	261
33.0.		TP Method		261
	[B]	Empirical,	Pragmatic and Subjective Approaches 's-Length Standard	261
3.15	[C]		ting to Loss-Making Entities	263
2010	[D]		-Length Price of Shares	264
§5.08			Planning Opportunities	265
35.00	[A]		ofit' Rulings	265
	[B]		nterest Deduction	268
	[C]		ome Deduction	269
§5.09		ndices		271
§5.10		f Abbrevia	tions	280
35.10	2100			
Снарт	ER 6			
Brazil				
Luís F	Rogério I	Farinelli, C	ristiane M.S. Magalhães, Stephanie Makin &	
	ília Frag		ereder Salasan op Arektur	281
§6.01	Intro	duction		283
§6.02	Impo	rtance of T	TP for Multinational Companies Operating	
		in Brazil		283
§6.03	Regu	latory Fran	nework	287
	[A]	Legal Aut		287
	[B]		hip to OECD Guidelines	288

Table	of	Con	tents

	[C]	TP Penalty Framework	289
	[D]	Arm's-Length Standard (or Alternative Standard)	290
§6.04		rmining the Appropriate Intercompany Price	291
•	[A]	Method Selection	291
	L	[1] Summary under Local Country Rules	291
		[a] Transactions Subject to TP	291
		[b] TP Methods for Acquisitions and Imports	294
		[c] TP Methods for Exports	299
		[d] Common Rules on Imports and Exports	302
		[e] TP Rules on Interest	302
		[f] Practical Cases	303
		[g] Differences in Method Selection Criteria	
		by Transaction Type	303
	[B]	Comparables Selection	304
§6.05		eloping Support for Actual Pricing	305
	[A]	TP Documentation Requirements	305
	[B]	Relationship between Fulfilling Documentation Requirements and Protection from Adjustments	308
	[C]	Sufficiency of Compliance Reports for Purposes of Applying Penalties	309
§6.06	Hot	Topics/Special Considerations in Local Country TP	309
9,	[A]	Specificities of National Tax Law	309
	[B]	Scrutiny of Transactions Involving Intangibles	309
	[C]	Interposed Persons	309
	[D]	Sales of Equity Stakes	311
	[E]	Basket Approach	313
	[F]	Prevalence of Tax Treaties over Domestic Legislation	314
§6.07	Nati	onal Administrative Practices	317
	[A]	Availability of Advanced Pricing Agreements	317
	[B]	Access to Competent Authority	317
§6.08		nificant TP Litigation	319
§6.09	Loca	al Country Planning Opportunities	321
	[A]	Safe Harbours	321
	[B]	Worksheets	322
	[C]	Intercompany Transaction Prioritization Matrix	326
	[D]	Implementation Checklist	326
	[E]	Information Exchange	327
	[F]	Case Study 1: Selecting An Appropriate Method	330
	[G]	Case Study 2: Prioritizing TP Documentation Initiatives	331
§6.10	List	of Abbreviations	332

CHAPTER Canada <i>Matt Bil</i>				335
§7.01	Impor	tance	of Transfer Pricing for Multinational Companies	
31.02	-		Within Canada	337
§7.02		200	Framework	338
or years			Authority	338
		[1]	Penalties Relating to Intercompany Debt	341
		[2]	Section 15(2): Shareholder Debt	342
		[3]	Section 17: Amount Owing by Non-resident	342
		[4]	Section 80.4 Loans	342
		[5]	Section 78(1): Unpaid Amounts	343
		[6]	Consequences for Failure to Provide Documentation:	
			Section 231.6: Foreign-Based Information	
			or Documentation	343
	[B]	kelati	ionship to OECD Guidelines	343
		[1]	OECD BEPS Project	344
002	[C]	Trans	sfer Pricing Penalty Framework	344
MILO		[1]	Transfer Pricing Adjustment Penalties	344
	[D]	Arm's	s-Length Principle	346
§7.03			ng the Appropriate Intercompany Price	347
	[A]		od Selection	347
		[1]	Summary of Applicable Methods	348
		[2]	CUP Method	348
			[a] CUP: Application	349
		[3]	Cost Plus Method	349
			[a] CPLM: Application	350
		[4]	Resale Price Method	351
			[a] RPM: Application	352
			[b] Profit Split Method	353
		2000	[i] PSM: Application	353
		[5]	Transactional Net Margin Method	354
			[a] TNMM: Application	355
		[6]	Application of Transfer Pricing Methods	356
			[a] Method Selection for Intra-Group Services	356
			[b] Method Selection for Transfers of Intangible	255
			Property	357
			[c] Methods to Price QCCAs	358
	[m]	_	[d] Methods to Price Intercompany Loans	360
57.04	[B]		parables Selection	361
§7.04		1772	g Support for Actual Pricing	362
	[A]		sfer Pricing Documentation Requirements	362
	[B]		tionship between Fulfilling Documentation Requirements Protection from Penalties	363

	[C]	Sufficiency of Compliance Reports for Purposes	271
		of Applying Penalties	364
		[1] Compliance versus Accuracy	365
		[2] Demonstrated Efforts	365
		[3] Administrative Burden	366
§7.05	Hot '	Topics/Special Considerations in Canada Concerning	
	Tran	sfer Pricing	366
	[A]	Range and Multiple Year Data Issues	366
	[B]	Business Restructuring	368
	[C]	Customs	368
	[D]	Bundled Transactions	369
§7.06	Nati	onal Administrative Practices	370
×.	[A]	Availability of Advance Pricing Agreements	370
		[1] Advance Pricing Arrangements	370
		[2] When Should a Taxpayer Consider an APA?	374
		[3] Annual Report	375
	[B]	Access to Competent Authority	377
	[-]	[1] Accelerated Competent Authority Procedure	379
		[2] Binding Arbitration	380
		[3] Annual Report	381
	[C]	Other Items	382
	[O]	[1] Transfer Pricing Audit	382
		[2] Advance Income Tax Rulings and Technical	
		Interpretations	385
§7.07	Sign	ificant Transfer Pricing Legal Cases	386
97.07	[A]	Tax Haven Cases	386
	$[\Lambda]$	[1] Spur Oil	386
		[2] Irving Oil	386
		[3] Indalex	387
	[B]	Targeted Industries	387
	[ط]	[1] The Pulp and Paper Industry	387
			387
			388
			388
		[a] Wyeth	388
		[b] GlaxoSmithKline	390
		[3] Technology Industry	390
	201	[a] Alberta Printed Circuits	390
	[C]	Guarantee Fee	
		[1] General Electric Capital Canada Inc.	390
	[D]	Other Cases	391
		[1] Teletech	391
		[2] McKesson	392
		[3] Soft-Moc Inc.	393

		[4] Marzen Artistic Aluminum Ltd.	393							
		[5] Cameco Corp.	394							
		[6] Sifto	394							
§7.08	Natio	onal Planning Opportunities	395							
§7.09	List	List of Abbreviations								
1.52										
Снарте	₹8									
China	(CO) - Square									
Glenn 1)eSow	ca.	397							
§8.01	Intro	duction	399							
	[A]	New Developments	399							
	[B]	2018 Targets	400							
	[C]	Rethinking How to Handle Audits	401							
	[D]	Planning Ahead	401							
§8.02	Chin	as Position As World Economic Leader	402							
§8.03	Imp	rtance of TP for Multinationals in China	403							
§8.04	Buile	tin 42	404							
§8.05	Bulle	etin 6	405							
4.0	[A]	The New China Platform	405							
CIL	[B]	Two Steps Forward and One Step Back	406							
S	[C]	Key Directions	407							
	[D]	The Index to Bulletin 6	407							
	[E]	Profit Monitoring System: Widening the Voluntary Net	409							
	[F]	The Audit Regime	410							
	[G]	Intangibles: Recognizing the China Contribution	410							
	[H]	Time-Adjusted Royalties	411							
	[I]	Service Fees: Some Good News	411							
	[J]	How China Differs from OECD	412							
	[K]	Special Issues Facing Us Companies	414							
§8.06		liew: Why China Deserves More Profit	415							
§8.07		ılatory Framework	416							
	[A]	Political and Tax Structure	416							
0.55	[B]	Types of Taxes in China	417							
§8.08	@ (155g)	eloping Support for Actual Pricing	418							
	[A]	The Documentation Requirements	418							
	[B]	Deadline for Preparation	418							
	[C]	Exemptions from Documentation	418							
	[D]	Penalties for Failure to Document	419							
	[E]	Definition of Related Party	419							
	[F]	Transactions Covered by Bulletin 42	420							
	[G]	TP Disclosure Forms	420							
	[H]	Country-by-Country Reporting	421							

	[I] Master File	422
	[J] Local File	422
	[K] Collecting and Grading Documentation	423
§8.09	Determining the Appropriate Intercompany Price	424
	[A] Available Methods	424
	[B] Comparable Uncontrolled Price Method	424
	[C] Resale Price Method	425
	[D] Cost Plus Method	425
	[E] TNMM	425
	[F] Profit Split Method	426
	[G] Methods in Practice Versus Documentation	426
	[H] Illustration of Method Selection	426
§8.10	Local Administrative Practices	427
30.10	[A] Who Conducts the Audit	427
	[B] Information Requested	428
	[C] Who Gets Audited	428
	[D] Special Audit Situations	428
	[E] Closing an Audit	428
	[F] Advanced Pricing Agreement and Competent Authority	
	[1] Evolution and Statistics	429
	[2] APA Regulations	430
	[3] Should You Get an APA?	432
	[4] Competent Authority	432
CO 11	Significant TP Litigation	433
§8.11	1 No.	433
		434
CO 13	[B] The Process List of Abbreviations	435
§8.12	List of Addreviations	133
Снартев	o 9	1/3
France		• / /
	ambert & Arnaud Le Boulanger	437
Seige Li	ambert & Arnada Le Bodianger	
§9.01	Importance of Transfer Pricing for Multinational Companies	Y
	Operating Within France	439
§9.02	Regulatory Framework	440
	[A] Legal Authority	440
	[1] Fundamental Rules for Transfer Pricing	
	Adjustments in France	442
	[a] Transactions with Related Companies	442
	[b] Transactions with Companies in Preferred	
	Tax Regimes	443
	[c] Failure to Provide Information	443
	[2] Statute of Limitation under French Corporate	
	Tax Law as Applicable to Transfer Pricing Matte	ers 444
	[B] Relationship to OECD Guidelines	444
	f=1	

	[C]	Tran	sfer Pricing Penalty Framework	444
	[0]	[1]	Penalty for Missing or Incomplete TPD	445
		r.*1	[a] Penalty Provided in the Framework of the	115
			Formal Documentation Requirement	
			(Articles L 13 AA and L 13 AB of the FTPC and	
			Article 1735 ter of the FTC)	445
			[b] Penalty for the Failure to Provide Annually	113
			the FTA with Simplified TPD	445
			[c] Penalty for the Failure to Provide Annually	113
			the FTA with CbCR	446
			[d] Penalty for the Failure to Answer to an	110
			FTA Request Based on Article L 13 B of the FTPC	446
		[2]	Interest for Late Payment	446
		[3]	Deliberate Breach and Fraud Penalties	447
	[D]	25 (17)	's-Length Standard	447
§9.03	0.500		ng the Appropriate Intercompany Price	448
37.00	[A]		nod Selection	448
		[1]	Statutory Rules	448
INE C	\·	[2]	Administrative Guidelines	448
0	>	5 12	[a] How Transactions Should Be Analyzed	448
30			[b] Transfer Pricing Methods	449
7			[i] Comparable Uncontrolled Price Method	449
			[ii] Resale Price Method	450
			[iii] Cost-Plus Method	451
			[iv] Profit Split Method	452
			[v] Transactional Net Margin Method	453
			[vi] Other Specifications Regarding Transfer	
			Prices Setting	454
		[3]	Case Law	455
		[4]	The FTA's TP Guide	456
	[B]		parables Selection	456
		[1]	Internal Comparables	456
		[2]	External Comparables	456
			[a] Databases Used	456
			[b] Practical Conduct of a Benchmark Study	457
60.04	-		[c] Outcome of the Search	457
§9.04		-	g Support for Actual Pricing	458
	[A]		sfer Pricing Documentation Requirement	458
		[1]	Code of Conduct on TPD for Associated Enterprises	450
		[2]	in the European Union	458
		[2]	TPD Requirements in France: Articles L 13 AA,	
			L 13 AB and L 13 B of the FTPC and Articles 223	460
			Quinquies B and 223 Quinquies C of the FTC [a] Formal TPD Requirements (Articles L 13 AA	460
			[a] Formal TPD Requirements (Articles L 13 AA and L 13 AB of the FTPC)	460
			[i] Scope of the TPD	460
			Lij boope of the LLD	100

xxxix

xxxviii

Tabl	le o	f Cor	ntents

			[ii]	Content of the TPD Required under French Law for Tax Years Beginning	
				Before January 1, 2018	461
			fiiil (Content of the TPD Required under French	
			(m)	Law for Tax Years Beginning on or after	
				January 1, 2018	463
			[iv]	Timing of the Documentation Requirement	465
		[b]	Tran	sfer Pricing Requirements under Article 223	
		r-1	Ouin	guies B of the FTC	466
		[c]	Tran	sfer Pricing Requirements under Article 223	
		2	Ouir	aguies C of the FTC	467
		[d]	Tran	sfer Pricing Requirements under Article L 13 B	460
			of th	e FTPC	469
			[i]	Circumstances under Which Information	469
				May Be Required	469
			[ii]	Information that May Be Required	469
			[iii]	Timing of the Documentation Requirement	4/1
	[B]	Relations	hip Be	ween Fulfilling Documentation Requirements	471
		and Prote	ection i	rom Adjustments	10,7(20)
	[C]	of Applyi	cy of C	ompliance Reports for Purposes	472
20.05	Hot '	Of Applyi Topics/Spe	ng ren	onsiderations in France	
§9.05	Conc	cerning Tra	nsfer I	Pricing	472
	[A]	Specificit	ies of l	French Tax Audits: Audit of Electronic	112 (2002)
	$[\Lambda]$	Accounti	ng Rec	ords and Remote Tax Audits	472
		[1] Au	dit of I	Electronic Accounting Records	472
		[2] Re	mote T	ax Audits	474
	[B]	Consolid	lated a	nd Analytical Accounting Disclosure	474
	[C]	Scrutiny	of Trai	nsactions Involving Intangibles	475 475
§9.06	Fran	ice Admini	istrativ	e Practices	475
	[A]	Availabi	lity of A	Advanced Pricing Agreements	475
		[1] Hi	storica	l Evolution of APA Procedures	4/3
		[a		99: First Step: Bilateral and Multilateral	476
				reements	476
		[b	-	04: Second Step: Unilateral Agreements	477
		[c		06: Third Step: Simplified Procedure for SMEs	478
		[d	1000000	ernational Outlook	110
		[e		sessment of the Implementation	478
		fo.1		APA Procedure	479
		1.00 miles		. Procedure ep 1: Pre-filing Stage	479
		[a	1] 510	ep 1: Pre-ming stage ep 2: The Official Submission to "MEJEI"	480
		[t		The same of the Department	480
			[i] fii	Required Documentation	480

Table of Cor	itents
--------------	--------

		[c]	Step 3	: Evaluation and Negotiation of the APA	483
		[0]		Evaluation of the APA	484
				Negotiation of the APA	484
		[d]		1: The Conclusion of the Agreement	485
				ax Audits	486
				the Implementation of the APA	486
				al of the Agreement	487
	[B]			tent Authority	487
	[D]	[1] The	lentuM	Agreement Procedure	488
		[1] The	Δrhitra	ation Procedure	490
		[2] The		ration Procedure Opened on the Basis	
		رما		European Arbitration Convention	490
		[b]		ration Procedure in Other Treaties	494
			er Item		494
		[a]		Practical Conduct of a TP Tax Audit	
			in Fra		494
		[b]		equences of a TP Adjustment	495
), [[]	[i]	Withholding Tax	495
	<u></u>		[ii]	Business Tax	495
			[iii]	Profit-Sharing Schemes	496
10-		[c]		lving Controversy at the National Level	496
0.07	Signi			icing Litigation	497
9.07	[A]	Transfer			497
	[B]	Market a	nd Com	petitive Conditions to be taken	
	[ြ]	into Acco	ount	petitive demands	497
	[C]	Compens	sation o	f Several Transactions	497
	[D]			and Comparability	498
	[E]			erquartile Range	499
9.08				portunities	499
9.09		of Abbrevi			500
88					
НАРТЕ	r 10				
Germai					
	ka Thi	ies			501
			NAME OF THE OWNER O		
10.01				r Pricing for Multinational Companies	502
		erating Wit			503
10.02	_	ulatory Fra			504
	[A]	Legal Aı			504
		50.000 mm.	atutory		504
				rative Decrees	509
				Period of Limitation	511
	[B]	Relation	iship to	OECD Guidelines	511

	[C]	Transfer Pricing Penalty Framework	512
	-	Arm's-Length Standard	513
§10.03		mining the Appropriate Intercompany Price	514
\$10.03	[A]	Method Selection	514
		[1] Product and Service Transactions	516
		[2] Interest on Loans	517
		[3] Use of Patents, Know-How and Other Intangible Assets	519
		[4] Contract Research and Development	519
		[5] Administrative Services	520
		[6] Cost-Sharing Agreements	520
	[B]	Comparables Selection	522
§10.04		loping Support for Actual Pricing	524
910.04	[A]	Transfer Pricing Documentation Requirements	524
	$[\Lambda]$	[1] General Requirements for Cross-Border Transactions	524
		[2] Specific Documentation Requirements for Cost-Sharing	
		Agreements	528
	[מ]	Relationship Between Fulfilling Documentation Requirements	
	[B]	and Protection from Adjustments	529
	[C]	Sufficiency of Compliance Reports for Purposes	
	[O]	of Applying Penalties	529
§10.05	Hot 7	Topics/Special Considerations in Local Country Transfer Pricing	530
3	[A]	Change of Business Concepts	530
	[B]	Transfer of Business Functions	533
	[C]	Income Determination of a Permanent Establishment	536
	[D]	Implementation of BEPS Action Plan Concerning	
	1	Transfer Pricing in Germany	537
		[1] Support of BEPS Action Plan	537
		[2] Actions 8–10 on Aligning Transfer Pricing Outcomes	ana na
		with Value Creation	538
		[3] Action 13 on Transfer Pricing Documentation and	
		Country-by-Country Reporting	539
§10.06	Loca	ll Country Administrative Practices	540
	[A]	Availability of Advanced Pricing Agreements	540
	[B]	Access to Competent Authority	542
		[1] Tax Ruling	543
		[2] Mutual Agreement Procedure and EU Arbitration	200.20
		Convention	543
	[C]	Other Items	544
		[1] Tax Assessment	544
		[2] Tax Audit	544
		[3] Legal Procedures	545
§10.07	Sign	ificant Transfer Pricing Litigation	545
and the second s	[A]	Documentation Requirements: Decision of the Federal	F 4 4
		Tax Court (BFH) of 17 October 2001	546
	[B]	Marketing Costs: Decision of the Federal Tax Court (BFH)	546
		of 17 February 1993	540

	[C]			Loan: Decisions of the Federal Tax Court (BFH) 990 and 25 June 2014	547
§10.08	Coun			Planning Opportunities	548
§10.09	List o	f Abb	reviatio	ons	549
RAF					
CHAPTER	11				
Hong Ko					
Steven (Carey	& Dou	glas Fo	ne	551
§11.01	The l	mport	ance o	f Transfer Pricing for Multinational Companies	
3-	Oper	ating \	Within	Hong Kong	553
§11.02	Regu	latory	Frame	work	554
	[A]	Legal	Autho	rity	554
		[1]	Statut	ory Laws	554
		[2]	Other	Guidelines and Regulations Issued	555
			[a]	Departmental Interpretation and Practice Note 45	555
			[b]	DIPN 46	555
) •	[c]	DIPN 48	555
	[B]	Relat	ionship	with OECD Guidelines	556
0	[C]	Trans		cing Risks	556
100		[1]		ment Management Industry	556
27		[2]		ce Fees	556
		[3]		ction of Transfer Pricing and Source Rules	557
		[4]		Kong Procurement Entities	557
	[D]			cing Documentation	557
	[E]			elopments	558
		[1]		Consultation Paper and Draft Bill	558
		[2]		er and Local Files	560
		[3]		try-by-Country Reporting	561
§11.03				ministrative Practices	562
	[A]			Pricing Arrangements	562
		[1]		of APAs	562
		[2]		Application Process	563
			[a]	Pre-filing	563
			[b]	Formal Application	564
			[c]	Analysis and Evaluation	564
			[d]	Negotiation and Agreement	564
		(2)		Drafting, Execution and Monitoring	564
		[3]		Significant Provisions in DIPN 48	564
	[p]	[4]		Significant Provisions in the Bill (No. 6/2017)	565 565
				reement Procedures	
		[1]		Application Process (Two Stages to MAP)	565
			[a]	Presentation of Case Joint Resolution	565 566
		[2]	[b]		
		[2]	omei	Significant Provisions in the MAP Guidelines	566

C11 04	Other Transfer Pricing issues	566
§11.04		566
611 05	[A] Corporate Treasury Centres Determining the Appropriate Intercompany Price	568
§11.05		568
	11 1 7	568
	Fig. 4. The control of the control o	570
		570
	I MANUAL TO THE TOTAL PROPERTY OF THE TAXABLE PROPERTY OF	572
	a a language	573
		573
		573
	- 11 1 D (1)	574
	[d] Other Approaches to Splitting Profits	574
	[5] Transactional Net Margin Method	575
	[B] Comparability Factors	575
	[1] Characteristics of Property or Services	575
	[2] Functions, Assets and Risks	576
	[3] Contractual Terms	576
	[4] Economic and Marketing Circumstances	576
	[5] Business Strategies	577
	[C] Comparables Selection	577
	[1] Internal Comparables	577
	[2] External Comparables	577
	[3] Foreign Comparables	577
	[4] Secret Comparables	577
	[5] Database.[6] Timing in Carrying Out the Comparability Analysis	578
William Control	[6] Timing in Carrying Out the Comparability Analysis	578
§11.06	Significant Transfer Pricing Litigation	578
	[A] Ngai Lik Electronics Company Limited v. CIR	579
	[B] CIR v. Li & Fung (Trading) Limited	580
§11.07	List of Abbreviations	
	~~~~	
CHAPT		
Indon		581
Dougl	as Fone & Steven Carey	
§12.01	The Importance of Transfer Pricing for Multinational Companies	
812.01	Operating Within Indonesia	583
§12.02		584
314.0	[A] Legal Authority	584
	[1] Statutory Laws	584
	[a] Article 18 of the 1983 Income Tax Law, as revise	d by the
	1991, 1994 and 2000 Income Tax Laws and furth	ier by
	Income Tax Law No. 36/2008	584
	AND CONTRACTOR OF THE CONTRACT	

	[0]	0.1	Q ' 1 l' d Descriptions Issued	585
	[2]		Guidelines and Regulations Issued	303
		[a]	DGT Circular Letter SE-04/PJ/1993 (guidelines for	
			handling transfer pricing cases), which has been replaced by the DGT Circular Letter SE-50/PJ/2013	
				585
		F1 1	(technical guidelines on transfer pricing audits)	303
		[b]	Government Regulation No. 80/2007 regarding the	
			Implementation Procedures on Taxation Rights and	
			Obligations based on General Tax Provisions and	
			Procedures Law as amended by Government	585
		5.3	Regulation 74 of 2011	202
		[c]	DGT Regulation PER-39/PJ/2009 (PER-39)	
			as amended by DGT Regulation PER-26/PJ/2013	FOF
		F 33	(PER-26).	585
		[d]	DGT Regulation PER-61/PJ/2009 (PER-61)	
			as amended by DGT Regulation PER-24/PJ/2010	COC
			(PER-24)	585
	60°	[e]	DGT Regulation PER-62/PJ/2009 (PER-62)	
800			as amended by DGT Regulation PER-25/PJ/2010	585
Military	2	r (2)	(PER-25)	202
10	<b>y</b>	[f]	DGT Regulation PER-43/PJ/2010 (PER-43)	
57			as amended by DGT Regulation PER-32/PJ/2011	586
X(ID)		6.3	(PER-32)	586
		[g]	DGT Regulation PER-48/PJ/2010 (PER-48)	586
		[h]	DGT Regulation PER-69/PJ/2010 (PER-69)	586
		[i]	DGT Regulation PER-22/PJ/2013 (PER-22)	300
		[j]	MoF Regulation 240/PMK.03/2014 regarding the	
			implementation of Mutual Agreement Procedure	587
		61.3	(PMK-240).	307
		[k]	MoF Regulation 7/PMK.03/2015 regarding	
			the procedures and implementation of	587
		F13	APA (PMK-7)	587
		[1]	MoF Regulation 213/PMK.03/2016 (PMK-213)	591
	(n) n	[m]	DGT Regulation PER-29/PJ/2017 (PER-29)	593
	THE STATE OF THE STATE OF		ip with OECD Guidelines	593
			ricing Risks	594
			ricing Penalty Framework	595
	R 125		gth Standard	595
	[1	(E)	Arm's-Length Principle	595
C12 02	[2	7	's-Length Range	590
§12.03			Administrative Practices	590
	- CO.		Pricing Agreements	590
	[1	_	Application Process	590
	[2		er Significant Provisions in the APA guidelines	59
	[3		es of APAs	59
	[4	ıj Adv	antage and Disadvantages of APAs	37

1221	Ot	( On	tonto
Table	. 011	CAMI	ICIIIO

			[a]	Based on the OECD, the advantages of an APA	
			[cc]	include, among others:	599
			[b]	Based on the OECD Guidelines, the disadvantage	es
			[5]	of an APA include, among others:	599
	[B]	Mutu	ıal Ag	reement Procedures	600
	[2]	[1]	~~	Application Process	600
		[2]		petent Authority	601
		[3]	Othe	r Significant Provisions in the MAP guidelines	601
		[4]		ctation from a successful MAP application	601
		[5]		dvantage of MAP	602
§12.04	Othe	_		ricing issues	602
§12.05				Appropriate Intercompany Price	602
0	[A]		200	lection	602
	-	[1]	Com	parable Uncontrolled Price	603
		[2]		Method	604
		[3]	CP N	Method	605
		[4]	Tran	sactional PS Method	605
		[5]		sactional Net Margin Method	606
	[B]	Com	parab	ility Factors	607
		[1]		racteristics of Property or Services	607
		[2]	Fun	ctional Analysis	607
		[3]	Con	tractual Terms	607
		[4]	Ecoi	nomic Circumstances	608
		[5]	Busi	ness Strategies	608
	[C]	Com	parab	les Selection	609
		[1]	Inte	rnal Ćomparables	609
		[2]	Exte	ernal Comparables	609
		[3]	Fore	eign Comparables	609
		[4]	Seci	ret Comparables	609
		[5]	Data	abase	610
		[6]		ing in Carrying Out the Comparability Analysis	610
§12.06	Sign	ifican	t Tran	sfer Pricing Litigation	611
		[1]	Trai	nsfer Pricing Audit—The DGT	611
		[2]	Tax	Court	611
		[3]	Sup	reme Court	612
		[4]		gation Cases	612
	[A]	Put	usan I	Pengadilan Pajak Nomor:	612
				7/PP/M.IV/15/2013	012
	[B]	Put	usan I	Pengadilan Pajak Nomor: 3/PP/M.IIIB/15/2015	612
	[C]			Pengadilan Pajak Nomor:	012
	[C]			7/PP/M.XIA/15/2015	613
§12.07	List		brevi		613
0			reversion of the same		

CHAPTER Ireland		A	NoC att	mi ale		615
Joe Duff	ушв	irry iv	acGen.	TICK		013
§13.01	Impo	rtance	of Tra	ansfer	Pricing for Multinational Companies	
F F - 1	Opera	ating \	Within	the C	ountry	617
§13.02	Regul	atory	Frame	ework		618
	[A]	Legal	l Auth	ority		618
		[1]	Legis	lation		618
			[a]	Circu	mstances in Which the Transfer	
				Pricir	ng Rules Apply	618
			[b]	Cons	equences of the Application of the	
				Trans	fer Pricing Rules	618
			[c]	Interp	pretation of the Irish Transfer Pricing Rules	619
			[d]	Impo	rtant Concepts	619
				[i]	Arrangement	619
	A			[ii]	Association	619
	₂ O			[iii]	Control	620
alla -				(a)	Company	620
HI.				(b)	Partnership	620
10	<b>y</b>			[iv]	Trading	620
5				[v]	Domestic Transactions	621
III-8				[vi]	Exemptions from the Transfer Pricing Rules	622
				(a)	Small- or Medium-Sized Enterprises	
					Exemption	622
				(b)	Grandfathered Transactions	622
				(c)	Irish Securitization Companies	622
		[2]	Non-	statute	ory Guidance/Reference/Authority	624
			[a]	The l	Revenue Commissioners' Tax and	
				Duty	Manuals	624
			[b]	The l	Revenue Commissioners' Notes for	
				Guid	ance on Legislation	624
			[c]		Revenue Commissioners' Tax Briefings	624
			[d]		Revenue Commissioners' Guidance on APAs	625
	[B]	Rela		ip to C	DECD Guidelines	625
	[C]			3.7	Penalty Framework	626
	20.00	[1]			l Penalties	626
					Lack of Proper Records	628
§13.03	Dete				priate Intercompany Price	628
	[A]			lection		628
	-	[1]			Views of the Irish Tax Authorities	
					CD Methods	628
	[B]	Com		les Sel		628
	[C]			ile Ran		629
			-			

Table of Con
--------------

Discount for Actual Driging	630
13.04 Developing Support for Actual Pricing [A] Transfer Pricing Documentation Requirements	630
Chould Eviet	631
	631
[B] Relationship between Fulfilling Documentation Required and Protection from Adjustments	ments 633
[C] Sufficiency of Compliance Reports for Purposes of Applying Penalties	633
§ 13.05 Hot Topics/Special Considerations in Irish Transfer Pricing	633
[A] Hot Topics	633
[1] Increased Audits	633
[2] Modernization of the Transfer Pricing Regime	634
[B] Thin Capitalization/Lending/Guarantees/Leasing	634
[1] Thin Capitalization	634
[2] Lending	635 635
[a] Interest	636
[b] Cash Pooling	637
[3] Guarantees	638
[4] Leasing	639
[C] Interest-Free Loans	640
[D] Management Services	640
[E] Low-Value Intragroup Services	641
§ 13.06 Local Country Administrative Practices	641
[A] Availability of Advance Pricing Agreements	642
[B] Access to Competent Authority	643
[C] Other Items [1] Transfer Pricing Enquiries	643
The same and the s	644
	645
AND STANDS TO BE SEEN AND AND AND AND AND AND AND AND AND AN	64.
[A] Current Cases [B] Historical Cases of Note	54:
§ 13.08 Country-Specific Planning Opportunities	64
§ 13.09 List of Abbreviations	64
Chapter 14	
Israel	64
Jonathan Lubick	
§14.01 Importance of Transfer Pricing for Multinational Companie	s 65
Operating Within the Country	65
§14.02 Regulatory Framework	65
[A] Legal Authority	65
[B] Relationship to the OECD Guidelines	65
[C] Transfer Pricing Penalty Framework	65
[D] Arm's-Length Standard	U.

§14.03	Detern	nining the Appropriate Intercompany Price	656
311.00	[A] I	Method Selection	657
	1	1] Methods under Israel Transfer Pricing Rules	657
	[B] (	Comparables Selection	660 662
§14.04	Develo	oping Actual Support for Transfer Pricing	662
3.2.3	[ ] [ ]	Transfer Pricing Documentation Requirements	
	[B]	Relationship Between Fulfilling Documentation Requirements and Protection from Adjustments	663
	[C]	Sufficiency of Compliance Reports for Purposes of	663
C14 OF	Hot To	opics/Special Considerations in Israeli Transfer Pricing	663
§14.05	Local	Country Administrative Practices	665
§14.06	[A]	Availability of Advanced Pricing Agreements	665
	[B]	Access to Competent Authority	666
		Other Items	666
614.07		icant Transfer Pricing Litigation	666
§14.07	Coun	ry-Specific Planning Opportunities	666
§14.08		Abbreviations	666
§14.09	List	T Apple viations	
100	20.		
Снарт	R 13		
Italy	17 1 I	io, Aurelio Massimiano & Mirko Severi	667
Marco	ναιασπ	to, Attretto massimumo d'ini	
§15.01	Regu	latory Framework	669
	[A]	Legal Authority	669
	[21]	[1] Legislative Framework	669
		[a] History	669
		[2] Control	671
		[3] Burden of Proof	672
		[4] ITA/ITA Transactions	673
	[B]	Relationship to OECD Guidelines	674
	[C]	Transfer Pricing Penalty Framework	675
	[0]	[1] Administrative Penalties	675
		[2] Criminal Penalties	676
	[ח]	Arm's-Length Standard	676
615 0	[D]	ermining the Appropriate Transfer Prices	677
§15.0		Method Selection	677
	[A]	Services scann District Construction Services (Services Construction C	677
		in the second of	678
		11 1 Daine (CLID Mothod	') 678
		A CASE OF THE RESIDENCE OF THE PROPERTY OF THE	678
		The state of the s	679
		2 2 1 1	680
		1 (DC) (I)	680
		: N -+1 - 1 ("TNIN (N /")	680
		[b] Transactional Net Margin Method (TNMM)	

	[B] C	Compa	arable Selection	681
	[	1]	Use of Foreign Comparables	681
	[2		Use of Databases	681
§15.03	Develo	ping :	Support for Actual Pricing	682
			er Pricing Documentation	682
			General Framework	682
			The Master File	683
	死。		The Country File	684
	177	300 50	onship Between Fulfilling Documentation	
			rements and Penalty Protection from Adjustments	685
	[C] C	Count	ry-by-Country Reporting	686
	[	1]	Entities Obliged to File the CbCR	687
	[.	2]	Communication Duties and Penalties	688
	[.	3]	Contents of the CbCR	689
	[·	4]	Use of Information by the ITA	689
§15.04			Special Considerations in Italy Concerning	
	Transfe			689
			e Agreements	689
	S 5	Ps	0	691
			aged-Buy-Out	691
			ess Restructuring	692
			ntion of Income to Permanent Establishments	692
§15.05			inistrative Practices	694
5			ability of Advanced Pricing Agreements	694
	100 × 100 ×		s to Competent Authority	697
	180,000		Double Taxation	697
		55515	The Competent Authorities	698
	-		Submission Terms	698
			Relationship with Internal Dispute	699
	1/2	E 15	Relation with Internal Settlement Procedures	- 700
	35	2.00	Collection of Taxes	701
			The Role of the Taxpayer	701
			The Arbitration Clauses under Double Tax Treaties	702
	-		The 'Serious Penalty' Concept under the EU Arbitration	
			Convention	702
	ſ		Corresponding Adjustments	702
		3	Items	704
§15.06			Transfer Pricing Litigation	704
310.00			f Significant Court Decisions	704
			on Main Rulings	711
§15.07			anning Opportunities	720
§15.08			reviations	720
Annex:			l Translation of the Italian TPDG Made by the Italian	. = 3.
minex.	Reven			721
			issioner of Agenzia Delle Entrate	721

CHAPTER Malaysia Douglas	1	& Ste	ven Ca	IIPV	731
Dougus	10120	G. OLC.	Jeit Ou	a. Cy	101
§16.01				of Transfer Pricing For Multinational	
				ating Within Malaysia	733
§16.02	Regul		Frame		734
	[A]	Lega	Auth		734
		[1]		tory Laws	734
		N 225	[a]	Income Tax Act 1967	734
		[2]		r Guidelines and Regulations Issued	735
			[a]	Income Tax (TP) Rules 2012	735
			[b]	Malaysia Advance Pricing Arrangement	
				Guidelines 2012 (amended in 2017)	735
			[c]	Mutual Agreement Procedure (MAP) Guidelines	
		~		(revised in 2017)	736
			[d]	Malaysian TP Audit Framework 2013	
				(amended on February 1, 2015 and May 1, 2017)	736
1437			[e]	MTPG 2012 (updated on July 15, 2017)	737
1,0			[f]	Income Tax (Country-by-Country Reporting)	
			6.3	Rules 2016 (amended on December 27, 2017)	740
201			[g]	Labuan Business Activity Tax (Country-by-Country	7.40
			F1 1	Reporting) Regulations 2017	742
	(m)	D 1	[h]	Malaysia Public Rulings	743
	[B]			ip with OECD Guidelines	743
	[C]	TP R		T	743
	[D]			Framework	745
	[E]			th Standard	745
		[1]		Arm's-Length Principle	745
\$16.02	Laga	[2]		's-Length Range	746 746
§16.03				dministrative Practices	746
	[A]	9420111122		Pricing Agreements Application Process	746
		[1]		TOTAL COMMENT TOTAL CONTROL OF THE C	740
		[2]		er Significant Provisions in the APA Guidelines es of APAs	747
		[3]			747
		[4]		antage and Disadvantages of APAs  Based on the OECD, the advantages of an	749
			[a]		749
			[b]	APA include, among others:  Based on the OECD Guidelines, the disadvantages	747
			[Մ]	of an APA include, among others:	750
	[B]	Mut	nal Aa	reement Procedures	750
	נטן	[1]	-	Application Process	751
		[2]		petent Authority	751
		[3]		er Significant Provisions in the MAP guidelines	752
		[4]		tation on Access to MAP	752
		F + 1	******	LULLUL DAL ANDROUGH DO ATTACA	

§16.04	Othe	r TP issues	752
	[A]	Loss Making	752
	[B]	Arm's-Length Price-Setting Versus Price-Checking Approach	753
§16.05	Dete	rmining The Appropriate Intercompany Price	753
	[A]	Method Selection	753
		[1] Comparable Uncontrolled Price	755
		[2] RP Method	756
		[3] CP Method	758
		[4] Transactional PS Method	759
		[5] Transactional Net Margin Method	761
	[B]	Comparability Factors	762
		[1] Contractual Terms	762
		[2] Functional Analysis of Functions Performed,	
		Risks Assumed and Assets Employed	762
		[3] Characteristics of Property or Services	763
		[4] Economic Circumstances	763
		[5] Business Strategies	763
	[C]	Comparables Selection	764
		[1] Internal Comparables	764
		[2] External Comparables	764
		[3] Foreign Comparables	764
		[4] Secret Comparables	765
		[5] Database	765
		[6] Timing in Carrying Out the Comparability Analysis	765
§16.06	Signi	ificant TP Litigation	766
	[A]	MM Sendirian Berhad v. Ketua Pengarah Hasil Dalam Negeri	766
§16.07	List	of Abbreviations	767
0			115
CHAPTER	17		. \ \
Mexico	т 1	v.	760
Yoshio U	<i>јена</i> т		709
§17.01	Tran	sfer Pricing in Mexico	771
§17.02	Base	Erosion Profits Shifting	772
§17.03	Mexi	ican Transfer Pricing Legislation	772
	[A]	Legislation Framework	772
	[B]	Contemporaneous Transfer Pricing Documentation	779
	[C]	Advance Pricing Agreements	779
	[D]	Financial Information	780
	[E]	Selection of Comparables	780
	[F]	Transfer Pricing Adjustments	781
	[G]	Pro rata Expenses	783
	[H]	Maquila Company	783
	[I]	Audit Trends	785
	[J]	Additional Reporting and Compliance	786
	[K]	Conclusions	787

CHAPTER				
The Net Rogier S			ert Jan van Lie Peters	789
§18.01	Impo	ortance	e of Transfer Pricing for Multinational Companies	
310.01			Within the Netherlands	791
\$18.02			Framework	792
	[A]		l Authority	792
	[B]	Artic	ele 8b CITA	792
		[1]	Related Entities	793
		[2]	Adjustments	794
		[3]	CbC Reporting and Transfer Pricing Documentation	794
	[C]		ees of the State Secretary with Regard to the Dutch /ATR Practice	800
		[1]	2018 Transfer Pricing Decree	800
		[2]	Advance Pricing Agreement (APA) Decree	816
		[3]	Decrees on Financial Intermediary Entities	818
	Ć	[4]	Question and Answer Decree	819
	C	[-1]	[a] Equity Risk Remuneration (ERR)	819
	).		[b] Financial Remuneration (FR)	820
20			[c] Interest on Inter Company Loan	820
5		[5]	Decree on Mutual Agreement Procedures and	020
		Lesu	EU Arbitration Convention	820
		[6]	Decree on Allocation of Profits to Permanent	
			Establishments	821
		[7]	Other Transfer Pricing-related Decrees	822
	[D]	Lette	er from the State Secretary of Finance	823
	[E]	Rela	tionship to OECD Guidelines	824
	[F]	Tran	sfer Pricing Penalty Framework	824
§18.03	Dete	rminiı	ng the Appropriate Intercompany Price	825
	[A]	Meth	nod Selection	825
		[1]	Service Activities	825
			[a] Group Service Activities	825
			[b] Head Office Services	825
		[2]	Finance Activities	826
			[a] Write-Off on a Loan provided to an Affiliated Party	826
			[b] Establishing an Arm's-Length Interest Rate	826
			[c] Conclusion	827
			[d] Guarantees	827
		[3]	Distribution Activities	828
		[4]	Manufacturing Activities	828
		[5]	Procurement Activities	828
		[6]	Intangibles	829
			[a] Participation in CCA	829
	נתו	0	[b] Transfer of Intangibles	829
	[B]	Com	parable Selection	829

§18.04	Developing Suj	pport For Actual Pricing	830
		Pricing Documentation Requirements	830
	[1] Bu	rden of Proof	831
	[2] No	Safe Harbour Rules	831
	[3] Tir	ning of the Documentation	831
§18.05	100 miles	cial Considerations	832
		n Plan for Fair and Efficient Corporate	
		in the EU/Link with Transfer Pricing	832
		l Investigations	832
	[C] Final Dec	cision Starbucks	834
	[D] Investiga	ition opened into IKEA's tax treatment	835
§18.06		strative Practices	836
	[A] APA/ATI	R Procedure	836
	66	Value and Transfer Pricing in the Netherlands	836
	AT E	e New Union Customs Code	838
		vance Pricing Agreements	839
§18.07		nsfer Pricing Litigation	839
310.0.		Pricing Methodology	839
		R 28 JUNI 2002, No. 36 446, VN 2002/ 34.9	
	256 5	ar Importer)	839
		Property Transactions	840
		preme Court, 1 July 1969, BNB 1969/217	840
	1200E	preme Court, 11 October 2000, BNB 2001/142	
		angible Property Transactions)	840
		ourt of Appeal, The Hague, 22 January 1982,	0.10
	5 (3)	NB 1983/109 (Tangible Property Transactions)	841
		ourt of Appeal, Amsterdam, 11 February 2009,	0.11
		o. 04/04338 (Sale and Leaseback, Goodwill	1
		valization)	841
		preme Court, 4 January 2013, No. 11/00762	1
		wiss Paper Trader)	842
		ower Court of Zeeland/West-Brabant, 19 September	042
			842
		17, ECLI: NL: RBZWB:2017:5965 (Zinc Case)	844
		le Property Transactions	044
		preme Court, 25 June 1969, BNB 2010/93	844
		ransfer of Intellectual Property Rights)	044
		preme Court, 17 August 1998, BNB 1998/385	044
		ntangible Property Transactions)	844
	5 (5)	ourt of Appeal, The Hague, 10 May 1984,	045
		NB 1986/8 (CUP)	845
	[D] Services		845
		ourt of Appeal, Amsterdam, 15 June 1978,	0.45
		NB 1979/188 (Services)	845
		ıpreme Court, 28 November 1984, BNB 1989/114	
	(S	ervices/'Bankgirocentrale')	845

	[E]	Finar	ncial Transactions	846
	[10]	[1]	Court of Appeal, Leeuwarden, 19 September 1997,	0.10
		[ T ]	VN/1998/30.17 (Interest on Loans)	846
		[2]	Court of Appeal, The Hague, 16 January 2001,	0.10
		[2]	VN 2001/37.15 (Guarantee)	846
		[3]	BNB 1998/3 (Supreme Court, 29 August 1997),	0.10
		[2]	BNB 2004/265 (Supreme Court, 12 December 2003)	
			VN 2005/2.15 (Supreme Court, 17 December 2004)	
			(Guarantee)	846
		[4]	Supreme Court, 1 March 2013, No. 11/01985	010
		[1]	(Umbrella Guarantee)	847
		[5]	Supreme Court, 8 November 1995, BNB 1996/64	011
			(Currency Exchange Results)	847
		[6]	Supreme Court, 28 February 2001, BNB 2001/199	OTI
		[O]	(Currency Exchange Results)	848
		[7]	Lower Court of The Hague, 11 July 2011, No. AWB08/9105	040
	A	111	(captive)	848
	<b>0</b>	[8]	Lower Court of Zeeland/West-Brabant, 17 January 2014,	040
MI C		[0]	No. AWB11/3717	848
	[F]	Caret	oms valuation and transfer pricing	849
0	[1]	[1]	Court of Justice European Union, 20 December 2017,	047
		[1]	No. C-529/16	849
18.08	Cour	stru Sr	pecific Planning Opportunities	849
10.00	[A]		ovation Box	849
	[A]	[1]	Qualifying Business Assets	850
		[1]	(a) Specific Qualification Rules for SMEs	850
			(b) Additional Qualification Rules for Taxpayers	030
			that exceed the SME size	851
		[2]		851
		[2] [3]	Qualifying Income Self-Created	852
			For Which a Patent or S&O Certificate Has Been	034
		[4]	Obtained	852
		ורו	Effective Tax Rate of 7%	852
		[5]		034
		[6]	Practical Aspects of the Application of the	852
			Innovation Box	052
			[a] Not Applicable to Intangibles That Existed	053
			before 1 January 2007	852
			[b] Election	852
			[c] Profit Allocation	852
			[d] Modified Nexus Approach and Grandfathering	0.53
10.00	T	C 47.7	Rules	853
18 09	1.151	of Ahl	breviations	853

Chapter Singapo				
Douglas	Fone	& Ste	ven Carey	857
§19.01			ance of Transfer Pricing for Multinational Companies	
			Within Singapore	859
§19.02	Regu	1.3	Framework	860
	[A]		Authority	860
		[1]	Statutory Laws	861
		75005	[a] Singapore Income Tax Act	861
		[2]	Other Guidelines and Regulations Issued	863
			[a] IRAS e-Tax Guide TP Guidelines (Fifth Edition)	863
			[b] IRAS e-Tax Guide Country-by-Country Reporting	0.63
	(m)	1947 11 (0	(Second Edition)	863
	[B]		ionship with OECD Guidelines	864
	[C]	TP R		865
	[D]		enalty Framework	866 866
	[E]	6	s-Length Standard	866
		[1]	The Arm's-Length Principle and Application	867
		[2]	Conduct Comparability Analysis	867
			[a] Comparability Factors [i] Contractual Terms	867
			<ul><li>[i] Contractual Terms</li><li>[ii] Characteristics of Property or Services</li></ul>	868
			[iii] Functional Analysis of Functions Performed,	000
			Risks Assumed and Assets Employed	868
			[iv] Economic Circumstances	869
			[b] Other Relevant Aspects of a Comparability Analysis:	870
			[i] Use of Multiple-Year Data	870
		[3]	Identify the Most Appropriate TP Method and	13
		[0]	Tested Party	870
		[4]	Arm's-Length Range	870
	[F]		Occumentation Requirements	871
	Lm-3	[1]	TP Documentation Requirements under	
		5 15	Section 34F of SITA	871
			[a] Information Required in TP Documentation	871
		[2]	Exemptions from TP Documentation for Specific	
			Transactions	872
§19.03	Loca	ıl Cour	ntry Administrative Practices	873
	[A]	Repo	orting of Related Party Transactions	873
	[B]	TP C	Consultation	874
	[C]	Adva	anced Pricing Agreements	875
		[1]	Types of APAs	875
		[2]	APA Application Process	877
	[D]	Mut	ual Agreement Procedures	878
		[1]	MAP Application Process	878

§19.04	Other	TP issues	878
300	[A]	Arm's-Length Adjustments by the IRAS	878
		[1] Types of Adjustments	879
	[B]	Qualifying Past TP Documentation	879
	[C]	Related Party Services	879
		[1] Strict-Pass Through Costs	880
		[2] Routine Support Services	880
		[3] Cost-Pooling Arrangements	880
	[D]	Related Party Loans	881
		[1] Indicative Margins on Related Party Loans	881
		[2] Refinancing Transactions	881
	[E]	Arm's-Length Price-Setting Versus Price-Checking Approach	882
§19.05		mining the Appropriate Intercompany Price	882
000	[A]	Method Selection	882
		[1] Comparable Uncontrolled Price	882
		Resale Price Method	883
		[3] CP Method	884
	٧	[4] Transactional Profit Split Method	885
100 A	1.	[5] Transactional Net Margin Method	887
au O	[B]	Comparables Selection	888
30		[1] Internal Comparables	888
7		[2] External Comparables	888
gne -		[3] Commercial Databases	888
		[4] Comparables with Publicly Available Information	889
		[5] Foreign Comparables	889
		[6] Secret Comparables	889
		[7] Loss-Generating Comparables	889
§19.06	Signi	ficant TP Litigation	889
§19.07	_	of Abbreviations	890
Aug			
Снарте	R 20		
South I	Korea		
Tae Yea	n (TY	) Nam, Jae Suk (JS) Park & Christopher Sung	891
§20.01		ortance of Transfer Pricing for Multinational Companies	
		rating Within Korea	893
§20.02		ılatory Framework	894
	[A]	Legal Authority	894
		[1] Legislation	894
		[a] Tax Law and Regulations	894
		[b] Other Government Regulations	894
		[2] Tax Administrations	895
		[a] Ministry of Strategy and Finance	895
		[b] National Tax Service	895
	[B]	Relationship to OECD Guidelines	896

	[C]	Trans	sfer Pricing Penalty Framework	896
		[1]	Underreporting Penalty	896
		[2]	Underpayment Penalty	896
		[3]	Penalty for Failure to Submit Documentation	897
	[D]	Arm'	's-Length Standard	897
		[1]	Historical Development of Arm's-Length Principle	897
		[2]	Concepts of 'Associated Enterprises' and 'Control'	897
			[a] Equity Ownership Test	897
			[b] Substantial Control Test	898
	[E]	Subs	tance-Over-Form Principle	899
		[1]	Set-Offs	900
§20.03	Dete	rminir	ng the Appropriate Intercompany Price	900
	[A]	Meth	nod Selection	900
		[1]	'Most Reasonable Method' Rule	900
		[2]	Description of Methods Available	900
			[a] CUP Method	900
			[b] RPM	900
			[c] CPM	901
			[d] PSM	901
			[e] TNMM	902
			[f] Other Reasonable Methods	902
		[3]	Criteria for Method Selection	902
		[4]	Considerations by Transaction Type	903
			[a] Intercompany Services	903
			[b] Intercompany Loans	904
			[c] Cóst Sharing Arrangement	904
			[d] Transfer and Use of Intangible Property	905
			[e] Business Restructuring and Supply	
			Chain Management	905
	[B]	Com	parables Selection	905
		[1]	Comparability Factors	905
		[2]	Use of Domestic Transaction as Comparable	906
		[3]	Calculation of Arm's-Length Range	906
		[4]	Use of Database	906
§20.04	Deve		g Support for Actual Pricing	906
	[A]	Tran	sfer Pricing Documentation Requirements	906
		[1]	Annual Documentation	907
		[2]	Upon Request Documentation	908
		[3]	Contemporaneous Documentation	908
			[a] Overview	908
			[b] Documents Required	909
			[c] Timing of Documentation	909
			[d] Determination of 'Reasonableness'	910
		[4]	Comprehensive Report on International Transactions	910
			[a] Background	910

		[b] Overview of Comprehensive Report	910
		[c] Procedures and Administration	911
	[B]	Relationship between Fulfilling Documentation	
		Requirements and Protection from Adjustments	911
	[C]	Sufficiency of Compliance Reports for Purposes of	912
222.05	II-L T	Applying Penalties	912
§20.05		Copics/Special Considerations in Korean Transfer Pricing	912
	[A]	Management Service Fee Substance-Over-Form Rule	912
	[B]	Aggregation of Transactions	913
	[C]	00 0	913
	[D]	Use of Multi-Year Data and Downward Income Adjustment	913
	[E]	Coordination of Transfer Pricing and Customs Valuation	
000	[F]	New TP Documentation Rules for BEPS Compliance	915
§20.06		Country Administrative Practices	915
	[A]	Availability of Advanced Pricing Agreements	915
	,	[1] Overview	915
	= 0	[2] Application	916
		[3] Coverage	917
MI C	)•	[4] Processing Time	917
100		[5] Annual Report	917
	[17]	[6] APA Statistics	918
	[B]	Access to Competent Authority	918
		[1] Overview	918
		[2] Requirements to Request Competent Authority	01.0
		Resolution	918
		[3] Other Considerations	918
		[a] Coincidence with Domestic Litigation	918
		[b] Time Limits	918
	[0]	[c] Interest on Unpaid Taxes	919
	[C]	Other Items	919
		[1] Consequences of Transfer Pricing Adjustment	919
		[a] Primary Adjustment	919
		[b] Secondary Adjustment	919
		[c] Corresponding Adjustment	919
		[d] Return of Additional Income	919
		[2] Tax Audit	920
620.05	o: .	[3] Appeal Procedures	920
§20.07	2	ficant Transfer Pricing Litigation	920
	[A]	Application of Cup Method to Pharmaceutical Products	921
	[B]	Transfer Pricing of Indent Transactions	921
§20.08		try-Specific Planning Opportunities	922
	[A]	Expanded Application of Map Result	922
	[B]	Proactive Dispute Resolution by a Combined Filing	022
	[0]	of APA and ACVA	923
820.00	[C]	Regulatory Change in the MIRPs and Strategic Adjustments	923
§20.09	LIST C	of Abbreviations	923

CHAPTER	21								
Spain									
Pilar Bai	rrigue	te				925			
	5					927			
§21.01			rtance of TP						
	[A]		ground			927			
		[1]			lopments for TP Law and Practice in Spain	928			
	[B]	Regu	latory	Frame	ework	928			
		[1]	TP Le	egislat	ion in Spain	928			
		[2]	Local	Legis	lation	928			
		[3]	Intern	nation	al TP Treaties and Agreements	929			
	[C]	Relat	ionshi	p to C	ECD Guidelines	929			
	[D]	Arm ²	's-Leng	gth Sta	nndard	929			
		[1]	Defin	ition	Related Entity	930			
	[E]	TP re	elated '	Transa	actions: Categories of Inter-company Transfer	930			
	[F]		enalty			931			
		[1]			ts and Penalties	931			
§21.02	Inter	1000	any Pri			933			
<b>5</b>	[A]		od Sel			933			
	[B]				otion and Application Example	933			
	[~]	[1]			Transaction Methods	933			
		-	[a]		(Comparable Uncontrolled Price)	933			
			1~1	[i]	Description	933			
				[ii]	CUP: Use in Practice	934			
			[b]	7.00	Plus	935			
			[0]	[i]	Description	935			
				[ii]	Cost Plus: Use in Practice	935			
				[iii]	Application Example	935			
			[c]		le Price	935			
			[0]	[i]	Description	935			
				[ii]	Resale Price: Use in Practice	937			
				[iii]	Application Example	937			
		[2]	Trans		nal Profit Methods	937			
		[4]	[a]		MM (Transactional Net Margin Method)	937			
			լայ	[i]	Description	937			
				[ii]	TNMM: Use in Practice	939			
				[iii]	Application Example	939			
			[b]	reconstruction of	it Split	939			
			լսյ	[i]	Description	939			
				[ii]	Profit Split: Use in Practice	942			
				[iii]	Application Example	942			
					Comparables Selection	942			
				[iv]	Availability of Benchmarking/Comparative	744			
				[v]		943			
					Data	743			

	[C]	IQR		944
		[1]	Determining the Arm's-Length Range	944
		[2]	Selecting the Most Appropriate Point in the Range	945
		[3]	Extreme Results: Comparability Conditions	946
\$21.03	Supp	ort fo	r Actual Pricing	947
	[A]	TP D	Ooc Requirements	947
	[B]	Artic	ele 14 of Decree No. 634/2015: CbCR (Form 231)	948
	[C]	Artic	ele 15 of Decree No. 634/2015: Master File	949
	[D]	Artic	ele 16 of Decree No. 634/2015: Local File	951
		[1]	Determination of the Market Value of Related Operations:	
			Comparability Analysis:	952
		[1]	Exemptions	953
		[2]	Time at Which Documentation Should Exist	954
		[3]	Acceptable Languages for Documentation	954
	[E]	Form	232. The New Filling Requirements	955
	[F]	Erce	ptions	957
§21.04	Loca	Prac	tice	957
589	(A)	APA		957
Bibliogr	aphy			959
(0)	<b>Y</b>			
CHAPTER	22			
United	Kingd	lom		
Andreu	Cous	sins, D	Paniel Othmann & Ted Keen	961
§22.01	Imp	ortane	e of Transfer Pricing for Multinational Companies	
922.01			Within the United Kingdom	965
§22.02			Framework	966
822.02	[A]		al Authority	966
	[11]	[1]	Legislation	966
		1+1	[a] Statutory Rules	966
			[b] Adjustment Mechanism	967
		[2]	Participation/Association	968
		[2]	[a] Persons to Whom the Association Test Applies	968
		[3]	Control	969
		[3]	[a] Joint Ventures	970
			[b] Acting Together	970
		[4]	Indirect Control	970
		[5]	UK/UK Transactions	971
		[2]	[a] Compensating Adjustments	971
			[b] Balancing Payments	972
		[6]	Exemptions from the Transfer Pricing Rules	972
		[0]	[a] Small Enterprise Exemption	973
			[b] Medium-Sized Enterprise Exemption	973
			[c] Dormant Company Exemption	974
		[7]	Documentation	974
		[ ]	Documentation	111

	[8]	Diverted Profits Tax	975			
	[9]	Non-statutory Guidance/Reference/Authority	975			
	[B] Re	lationship to OECD Guidelines	976			
	[C] Tra	ansfer Pricing Penalty Framework	976			
	[1]	Tax-Geared Penalties	976			
	[2]	Penalty for Lack of Proper Records	977			
	[3]	Penalties on Company Officers	977			
	[D] Ar	m's-Length Standard	978			
§22.03	Determin	ning The Appropriate Intercompany Price	978			
	[A] Me	ethod Selection	978			
	[1]	Particular Views of UK Tax Authorities on the				
		OECD Methods	978			
		[a] Comparable Uncontrolled Price Method	978			
		[b] Transactional Net Margin Method	979			
		[c] Cost Plus Method	980			
		[d] Resale Price Method	982			
		[e] Profit Split Method	982			
	[B] Co	omparables Selection	982			
	[C] In	terquartile Range	982			
§22.04	Develop	ing Support for Actual Pricing	982			
	[A] Transfer Pricing Documentation Requirements					
	[1] Time at Which Documentation Should Exist					
	[B] Re	lationship between Fulfilling Documentation Requirements				
	an	d Protection from Adjustments	986			
		officiency of Compliance Reports for Purposes				
		Applying Penalties	986			
§22.05	25	ics/Special Considerations in UK Transfer Pricing	986			
		nin Capitalization/Interest/Guarantees	986			
	[1]		988			
	[2]	· · · · · · · · · · · · · · · · · · ·	988			
	[3]	The Control of the Co	989			
		terest-Free Loans	990			
	[C] M	anagement Services	990			
	[1]		991			
	[2]		991			
	[3]		991			
		ıblic Country-by-Country Reporting	992			
		orporate Tax and the Digital Economy	992			
§22.06		ountry Administrative Practices	993			
	5	vailability of Advance Pricing Agreements	993			
	[B] Ac	ccess to Competent Authority	996			
	[C] Ot	her Items	998			
	[1		998			
	[2		999			
	[3		1000			
	[4	] Transfer Pricing and Discovery Assessments	1001			

§22.07	Signi	ficant	Transfer Pricing Litigation	1002
E8701	[A]	DSG	Retail Ltd & Others versus HMRC	1002
	[B]	Empl	loyee Share Options: Waterloo	1005
\$22.08	Cour	itry-Sp	pecific Planning Opportunities	1006
\$22.09			previations	1006
1037				
CHAPTER	23			
United :				
		fanie .	Perrella, Rod Koborsi & Jay Hudson	1009
§23.01	Regn	latory	Framework	1013
	[A]		view and Legal Authority of Sections 482 and 6662	1013
	[B]		tionship between Section 482 and the OECD Guidelines	1014
	[10]	[1]	Choice of Method	1015
		[2]	The Use of Safe Harbours	1016
		(3)	Profit-Based Methods: CPM versus TNMM	1018
	Ć	[4]	Cost Sharing Agreements/Cost Contribution Agreements	1018
	[C]	7 55 S	mary of Transfer Pricing Regulatory Framework	1019
_<	101	[1]	Intercompany Transactions: Identification and	
VO.	<b>Y</b>		Characterization	1019
3		[2]	Functional Analysis	1020
There	[D]		's-Length Standard	1021
	ASS - 55	[1]	Available Methods and the Best-Method Rule	1022
		[2]	Arm's-Length Range	1025
§23.02	Dete	rminir	ng The Arm's-Length Pricing From A US Perspective	1025
	[A]	Tang	gible Property Transactions	1026
		[1]	CUP Method	1026
			[a] Description	1026
			[b] Application Example	1026
		[2]	Resale Price Method	1027
			[a] Description	1027
			[b] Application Example	1027
		[3]	Cost Plus Method	1028
			[a] Description	1028
			[b] Application Example	1029
	[B]		ngible Property Transactions	1029
		[1]	CUT Method	1030
			[a] Description	1030
			[b] Application Example	1030
		[2]	Comparable Profits Method	1031
			[a] Description	1031
		948 W	[b] Application Example	1032
		[3]	Profit Split Method	1032
			[a] Description	1032
			[b] Application Example	1033

		[4]	Unspecified Method	1034			
	[C]	Service Transactions					
	[C]	[1]	Services Cost Method	1036			
		[±]	[a] Description	1036			
			[b] Application Example	1036			
		[2]	CUSP Method	1037			
		[4]	[a] Description	1037			
			[b] Application Example	1037			
		[3]	Gross Services Margin Method	1038			
		[J]	[a] Description	1038			
			[b] Application Example	1038			
		[4]	Cost of Services Plus Method	1038			
		[4]	[a] Description	1038			
			[b] Application Example	1038			
		[5]	Comparable Profits Method	1039			
		[3]	[a] Description	1039			
			[b] Application Example	1039			
		[6]	Profit Split Method	1040			
		[6]	[a] Description	1040			
			[b] Application Example	1040			
	[173]	Loar		1041			
	[D]	Loar [1]	Arm's-Length Interest Rate	1041			
		[2]	Characterization of Intercompany Debt	1043			
	[17]		Sharing	1044			
	[E]		Evolution of the Regulations	1045			
		[1] [2]	Pre-January 4, 2009 Regulations	1046			
		[4]	[a] Buy-In Payments for Pre-existing IP	1046			
			[b] Determination and Allocation of Cost Pools	1046			
			[c] Documentation and Administrative Requirements	• 1047			
		[c]	2008 Temporary Regulations	1047			
		[3]	[a] Payments Made for Pre-existing IP	1047			
			[b] Determination and Allocation of Cost Pools	1049			
			[c] Periodic Adjustments	1050			
			The second secon	1051			
		[4]	[d] Documentation and Administrative Requirements 2011 Final Regulations	1051			
		[4]		1051			
			1	1053			
				1053			
				1053			
				1053			
		נבז	[e] Other Updates to the 2008 Temporary Regulations Coordination within IRS Code Section 367	~ 0.004000			
		[5]	and Section 482	1054			
022.02	n	altica	for Non-Compliance	105			
§23.03			Transfer Pricing Documentation Requirements	105			
	IAI	L US	Hallotti i Hellig Documentation requirements				

	[B]	US Tra	ansfer Pricing Penalty Framework	1056
	(E)		Reported Results	1056
			The Transactional Penalty	1057
		6-20	[a] Substantial Valuation Misstatement	1057
			[b] Gross Valuation Misstatement	1057
		[3]	The Net Adjustment Penalty	1058
		[5]	[a] Substantial Valuation Misstatement	1059
			[b] Gross Valuation Misstatement	1059
		[4]	Coordination of Penalties	1060
		F + 1	[a] Coordination of a Net section 482 Adjustment	
			Subject to the Net Adjustment Penalty and a	
			Gross Valuation Misstatement Subject to the	
			Transactional Penalty	1060
			[b] Coordination of a Net section 482 Adjustment	
			Subject to the Net Adjustment Penalty and	
		0	Substantial Valuation Misstatement Subject to the	
		1	Transactional Penalty	1061
	C	[5]	Reasonable Cause and Good Faith	1061
	).	[6]	Specified and Unspecified Method Requirements	1061
O		[7]	Carrybacks and Carryovers	1062
	[C]		ciency of Documentation Reports for Purposes	
	[-]		voiding Penalties	1063
3.04	Spec	cial Co	nsiderations in US Transfer Pricing	1063
	[A]	US T	ax Cuts and Jobs Act Impacts and Considerations	1063
		[1]	US Corporate Income Tax Rate Reduction	1063
		[2]	Global Intangible Low-Tax Income	1063
		[3]	Foreign Derived Intangible Income	1064
		[4]	Base Erosion and Anti-Abuse Tax	1065
		[5]	Interest Rate Deduction Limitations	1065
	[B]	ASC	740 Consideration	1066
		[1]	Justification for Issuing ASC 740	1066
		[2]	ASC 740 Scope	1067
		[3]	ASC 740 Implementation Guidelines	1068
		[4]	ASC 740 Disclosures	1070
		[5]	ASC 740 and Transfer Pricing	1070
		[6]	Implementing ASC 740 for Transfer Pricing	1071
			[a] Step 1: Identify Unit of Accounts	1071
			[b] Step 2: Preliminary Analysis	1072
			[c] Step 3: Detailed Review	1072
			[d] Step 4: Implementation	1073
		[7]	Schedule and Instructions for UTPs	1074
		[8]	Impact of H.R. 1 Tax Reform	1075

	[C]	Glob	al Dea	lling	1075	
		[1]	Intro	duction	1075	
		[2]	Perm	anent Establishment	1070	
		[3]	The	Role of Capital	1077	
		[4]		antees	1078	
	[D]	Adva	nce P	ricing Agreements	1079	
		[1]		Program Background	1079	
		[2]		sed Procedures for APAs	108	
		[3]		Process	1082	
			[a]	Step 1: APA Application	1082	
			[b]	Step 2: Due Diligence	1085	
			[c]	Step 3: Analysis	1086	
			[d]	Step 4: Discussion and Agreement	1086	
			[e]	Step 5: Drafting, Reviewing, and Executing		
				the Agreement	1087	
		[4]	Othe	r Considerations	1083	
		[5]	Adm	inistering and Renewing the APA	1088	
		[6]		lusion	1088	
	[E]	State	and I	ocal Tax Considerations	1089	
	-	[1]	State	Adoption of Treasury Regulations		
				on 1.482 Principles	1090	
		[2]	Othe	r State Mechanisms	1092	
	[F]	Tax A	Audits	and Related Controversy Procedures	1093	
		[1]	Trans	sfer Pricing Audit Roadmap	1093	
		[2]		est for Documentation	1094	
		[3]	Notio	ce of Proposed Adjustment	1095	
		[4]	Арре	eals and Alternative Dispute Resolution	1095	
			[a]	Appeals Fast Track Settlement Procedure	109	
			[b]	Early Referral to Appeals	1090	
			[c]	Delegation Orders	1090	
			[d]	Appeals Mitigation and Arbitration	1090	
			[e]	APMA Program	1097	
§23.05	Significant US Transfer Pricing Litigation					
	[A] Asiatic Petroleum co. v. Commissioner (1936)		roleum co. v. Commissioner (1936)	1097		
		[1]	Case	Summary	1097	
		[2]	Com	mentary	1093	
	[B]	PPG	Indus	tries, Inc. v. Commissioner (1970)	1098	
		[1]	Case	Summary	1098	
		[2]	Com	mentary	1098	
	[C]	EI D	upont	DE Nemours & Co. v. United States (1979)	1098	
		[1]	Case	Summary	1098	
		[2]	Com	mentary	1099	

	[D]	Hospital Corporation of America v. Commissioner (1980)	1099			
		[1] Case Summary	1099			
		[2] Commentary	1099			
	[E]	ELI Lilly & Co. v. Commissioner and G.D. Searle & Co. v.				
		Commissioner (1987)	1100			
		[1] Case Summary	1100			
		[2] Commentary	1100			
	[F]	Bausch & Lomb, Inc. v. Commissioner (1989)	1100			
		[1] Case Summary	1100			
		[2] Commentary	1101			
	[G]	Westreco, Inc. v. Commissioner (1992)	1101			
		[1] Case Summary	1101			
		[2] Commentary	1102			
	[H]	Compaq Computer Corporation and Subsidiaries v.	1100			
		Commissioner (1999)	1102			
		[1] Case Summary Commentary	1102			
	[T]	▼ · · · · · · · · · · · · · · · · · · ·	1103			
		DHL Incorporated and Subsidiaries v. Commissioner (2002)	1103			
C	•	[1] Case Summary	1103			
VO,	C v l	[2] Commentary	1104			
C	[J]	Xilinx, Inc. v. Commissioner (2009)	1104			
		[1] Case Summary	1104			
	[YZ]	[2] Commentary	1105			
	[K]	Veritas Software Corporation v. Commissioner (2009)	1105			
		[1] Case Summary	1105			
	C * 1	[2] Commentary	1106			
	[L]	Altera Corporation v. Commissioner (2015)	1106			
		[1] Case Summary	1106			
	F = -7	[2] Commentary	1107			
	[M]	Tyco Corporation v. Commissioner (2015)	1107			
		[1] Case Summary	1107			
	2000	[2] Commentary	1107			
	[N]	Guidant LLC v. Commissioner (2016)	1108			
		[1] Case Summary	1108			
		[2] Commentary	1108			
	[O]	Amazon.com Inc. v. Commissioner (2017)	1108			
		[1] Case Summary	1108			
		[2] Commentary	1109			
	[P]	The Coca-Cola Company & Subsidiaries v. Commissioner (2017)	1110			
		[1] Case Summary,	1110			
		[2] Commentary	1111			
§23.06	List o	of Abbreviations				

CHAPTER			
Vietnam		To He And O Davidso Libra Cons	1113
steven C	arey,	Tu Ha Anh & Douglas John Fone	1113
§24.01	The I		
		panies Operating Within Vietnam	1115
§24.02	Regu	1116	
	[A]	Legal Authority	1116
	10 D	[1] Regulatory Frameworks	1116
		[a] Law on Tax Administration 2006	1116
		[b] Revised Law on Tax Administration 2012	
		and Decree 83/2013/NĐ-CP	1117
		[c] Circular 201/2013/TT-BTC (Circular 201)	1117
		[d] Circular 66/2010/TT/BTC (Circular 66)	1117
		[e] Circular 156/2013/TT-BTC (Circular 156)	1118
		[f] Decree No. 20/2017/NĐ-CP (Decree 20)	1119
		[g] Circular 41/2017/TT-BTC (Circular 41)	1122
	[B]	Relationship with the OECD Guidelines	1126
		[1] Choice of Method	1127
		[2] Profit-Based Method: CPM Versus TNMM	1127
	[C]	Arm's-Length Standard	1127
		[1] Arm's-Length Principle	1127
		[2] Arm's-Length Range	1128
	[D]	Transfer Pricing Risks	1129
	[E]	Transfer Pricing Penalty Framework	1130
§24.03	Loca	l Country Administrative Practices	1130
	[A]	1130	
	[B]	Transfer Pricing Documentation Requirements	1132
	[C]	Advanced Pricing Arrangements (APA)	11.35
		[1] APA Application Process	1133
		[a] Formal Application	1133
		[b] Evaluation	1134
		[c] Negotiation	1135
		[d] Conclusion	1135
§24.04	Spec	ial Considerations in Vietnam Country Transfer Pricing	1135
	[A]	Interest Expenses Cap	1135
	[B]	Safe-Harbor Rule Implementation	1135
	[C]	Restriction on Management Fees and Royalties	1136
	[D]	Administrative Filing Requirements	1137
	[E]	Applicable Period of the New Regulations	1137
	[F]	TP Compliance and Audits	1137
§24.05	Dete	rmining the Appropriate Intercompany Price	1138
	[A]	Method Selection	1138
		[1] CUP Method	1138
		[2] RDM	1139

	100			
Table	C	0	4	Acres
12010	OT	1 On	TOD	TC

		[3]	CPLM	1140
		[4]	PSM	1141
		[5]	CPM	1143
	[B]	Prof	it Level Indicator (PLI)	1144
	[C]	Com	nparability Factors	1144
		[1]	Characteristics of Assets, Goods and Services	1145
		[2]	Functional Analysis	1145
		[3]	Contractual Terms	1146
		[4]	Economic Circumstances	1146
		[5]	Quantitative and Qualitative Analyses	1147
	[D]	Con	nparables Selection	1147
		[1]	Internal Comparables	1147
		[2]	External Comparables	1147
		[3]	Foreign Comparables	1148
		[4]	Secret Comparables	1148
		[5]	entroperating the second of t	1149
§24.06			t Transfer Pricing Litigation	1149
§24.07	List	of Ab	breviations	1149
Annexa	e's			1151
ANNEX	f.			
Transfer Pricing Rules Summary				1153
ANNEX	II			
Transfer Pricing Implementation Checklist			1165	
Table of Cases				1169
Index				1177