

Index

References are to paragraph numbers except for the Appendix which is referred to by page number.

- Accountancy
 - intra-group services 4.12
- Advance pricing agreement (APA)
 - advantages and disadvantages 9.58–9.59
 - bilateral 9.46, 9.56–9.57
 - definition 9.46–9.47
 - documentation requirements 9.51
 - double taxation 9.5
 - filings 352
 - initiation 9.47
 - monitoring transfer pricing 8.9
 - multilateral 9.46, 9.56–9.57
 - OECD guidelines 9.48, 352
 - scope 9.52–9.54
 - smaller taxpayers 9.53
 - unilateral 9.55
 - United Kingdom 9.49–9.50
- Argentina 181–185
- Arm's length pricing
 - debt-to-equity ratio 5.13–5.21
 - generally 1.19
- Arm's length principle
 - APAs *See ADVANCE PRICING AGREEMENT*
 - business restructuring 7.15–7.16
 - compensation 7.23–7.41
 - risk allocation 7.17–7.22
 - comparable transactions 2.24–2.36
 - debt pricing 5.3, 5.9, 5.22, 5.24
 - entity-by-entity basis 1.20
 - functional analysis 1.20
 - intangible property 6.3, 6.14, 6.17–6.19, 6.29–6.30
 - intra-group services 4.5
 - losses 1.20–1.21
 - meaning 1.19
 - monitoring transfer pricing 8.5
 - OECD guidelines 2.1–2.5, 2.9, 2.13–2.20
 - origin 1.18–1.21
 - problems arising 2.14–2.15
 - purpose 1.18–1.21
 - timing of test 6.96–6.100
- Arm's length principle – *contd*
 - US legislation 1.24
- Arm's length range
 - OECD guidelines 2.42–2.43
- Assets
 - functional analysis 1.19–1.20
 - transfer on business
 - restructuring 7.26–7.31
 - See also INTANGIBLE PROPERTY; INNOMABLE GOODS*
- Associated enterprises
 - OECD guidelines 349
 - services *See SERVICES*
- Audit
 - adversarial nature 9.7
 - cross-border transactions 9.1–9.5
 - internal 8.25
 - intra-group services 4.12
 - planning for 9.8–9.14
 - UK transfer-pricing audits 9.6–9.14
 - selection process 9.7
- Australia 185–191
- Austria 191–195
- Base erosion and profit shifting (BEPS)
 - OECD review 2.97
- Belgium 195–200
- Braud
 - intangible asset, as 6.23
- Brazil 200–204
- Bright line test
 - compensation for restructuring 7.41, 7.47
- Brokerage fees
 - resale price method 2.68
- Business restructuring
 - See RESTSTRUCTURING*
- Canada 204–208
- Capital allowances
 - UK legislation 10.16

Index

- Capital gains
 - UK legislation 10.16
- Central purchasing
 - intra-group services 4.12
- Chile 208–212
- China 212–219
- Colombia 219–222
- Comfort letter
 - legal status 5.61
- Commission agent
 - generally 3.16, 3.18–3.20
- Commissionnaire
 - generally 3.21
 - OECD guidelines 350
- Comparability
 - comparable transactions
 - functional analysis *See* FUNCTIONAL ANALYSIS
 - identifying 2.29–2.36
 - loans and financing 5.41–5.47
 - determination 2.27–2.36
 - foreign comparables 349
 - OECD standard 349
 - principle of generally 2.24–2.25
- Comparability analysis
 - business strategies 2.28
 - characteristics of property and services 2.28
 - contractual terms 2.28
 - CUP method 2.61
 - economic circumstances 2.28
 - functional analysis 2.28
 - identifying comparables 2.29–2.36
 - identifying transactions 2.29–2.36
 - intellectual capital 6.21–6.22
 - intellectual property 6.26–6.27
 - market conditions 2.28
 - market penetration strategy 2.28
 - risk 2.28
 - stock holdings 2.33–2.35
- Comparable profits method (CPM)
 - generally 2.86, 2.92
- Comparable uncontrolled financial transaction (CUFT)
 - United States 2.64
- Comparable uncontrolled price (CUP)
 - adjusted 6.94
 - advantages 2.60, 2.62
 - commission agents 3.19
 - comparability analysis 2.61
 - controlled transaction 2.60
 - external 2.60
 - as first choice 2.58
 - intangible property 6.83–6.88
 - adjusted CUP/CUT 6.94
 - internal 2.60
 - intra-group services 4.15–4.16
 - loan pricing 5.41, 5.44
- Comparable uncontrolled price (CUP) – *contd*
 - method generally 2.57, 2.60–2.64
 - OECD guidelines 349
 - wholesalers and marketers 3.26–3.28
- Comparable uncontrolled transaction (CUT)
 - United States 2.64
- Compensation
 - business restructuring *See* RESTRUCTURING
- Competent authority
 - OECD guidelines 352–353
- Complex manufacturer
 - generally 3.12–3.13
- Computer program
 - intellectual property 6.74
- Contacts listed by country 437–440
- Contract manufacturer
 - definition 3.2, 3.5
 - generally 3.9–3.11
 - intra-group services 4.12
- Contractual terms and conditions
 - comparability analysis 2.28
- Contribution analysis
 - generally 2.19–2.20
 - OECD guidelines 349
- Consolidated transaction
 - CUP method 2.60
- Copyright
 - intellectual property 6.20, 6.25, 6.41, 6.74–6.79
 - valuation 6.124–6.127
- Cost-plus method (CP)
 - commission agents 3.19
 - cost base comparability 2.74
 - costs as driver of profit 2.72
 - generally 2.57, 2.62–2.63, 2.71–2.77
 - intra-group services 2.23, 2.71, 2.75, 4.17–4.18
- OECD guidelines 349
- risk factor 2.75
- service fees, recharging 8.13
- transaction comparability 2.74
- Costs
 - allocation 8.6, 8.14
 - budgeted 8.15
 - business restructuring
 - advertising 7.45–7.46, 7.56
 - bright line 7.47
 - entering new model 7.52–7.54
 - existing old model 7.48–7.51
 - final period of trading 7.43–7.47
 - generally 7.24, 7.42, 7.55–7.56
 - cost base, determination 8.6
 - cost contribution arrangements 350
 - cost sharing agreements 350
 - intra-group services 4.26–4.30
 - monitoring 8.15

- Costs – *contd*
 pass through 4.27
 service fees, recharging 8.13
 stock write-down 8.6
- Customs duties
 transfer pricing 8.15
- Customs valuation
 OECD guidelines 2.51
- Czech Republic 222–226
- Database rights
 intellectual property 6.20
- Debt
 credit worthiness of borrower 5.42, 5.44
 debt-to-EBITDA ratio 5.19–5.21
 equity or debt 5.22–5.36
 factoring
 arm's length principle 5.69
 intra-group 4.12, 5.68–5.72
 non-recourse 5.71
 with recourse 5.70, 5.72
 hybrid debt instruments 5.73–5.75
 inter-company financing 5.6–5.12
 pricing 5.3
 arm's length principle 5.3
 comparable factors 5.41–5.47
 CUP method 5.41, 5.44
 risk/cost-benefit equation 5.13–5.21
- See also FINANCING; LOAN; THIN CAPITALISATION*
- Denmark 226–230
- Derivative contract
 UK legislation 10.16
- Design rights
 intellectual property 6.20
- Differential profit analysis
 intellectual property 6.94
- Distribution
See SALES AND DISTRIBUTION
- Distributor
 generally 3.32–3.34
- Documentation
See RECORDS/DOCUMENTATION
- Dominican Republic 231–234
- Dormant company
 UK exemption 10.16
- Double taxation
 agreements
 bilateral 9.3, 9.16–9.20
 meaning 9.16
 multilateral 9.3
 OECD framework 9.16–9.20
 purpose 9.16, 9.19
 UK treaties 9.16
- APAs *See ADVANCE PRICING AGREEMENT*
- EU Arbitration Convention 9.3, 9.15, 9.29–9.45
 generally 9.2–9.5
- Double taxation – *contd*
 meaning 9.2
 mutual agreement procedure *See MUTUAL AGREEMENT PROCEDURE*
 UK legislation 10.42–10.44
- Duplicate costs
 intra-group services 4.8–4.9
- Earnings per share accounts
 multinational entities 1.15, 1.17
- Earnings stripping
 United States 5.18
- Ecuador 234–240
- Egypt 240–245
- Environmental guarantee
 generally 5.63
- Estonia 246–250
- European Union Arbitration Convention
 acceptable outcomes 9.37
 advantages 9.30
 application for 9.33
 generally 9.3, 9.15, 9.29–9.31
 independent advisory commission 9.34–9.38
 interpretation by member states 9.39–9.45
 scope 9.31
 time limits 9.33–9.36, 9.41–9.45
 UK legislation 9.36, 9.39
- Exchange controls
 OECD guidelines 2.47–2.48
- Exchange risk management
 intra-group services 4.12
- Factoring
See DEBT
- Financing
 arm's length principle 5.3, 5.9, 5.13–5.21, 5.22, 5.24
 comfort letters 5.61
 debt or equity 5.22–5.36
 debt-to-EBITDA ratio 5.19–5.21
 environmental guarantee 5.63
 finance leases 5.65–5.67
 generally 3.1, 5.1–5.5, 5.76–5.77
 guarantee fees
 establishing benefit received 5.55–5.64
 generally 5.52–5.55
 hidden equity capitalisation 5.23
 hybrid 5.23, 5.73–5.75
 informal capital contributions 5.25
 inter-company 5.6–5.12
 interest rate, applying 5.37–5.40
 interest-free loan
 accounting treatment 5.31–5.36
 advanced by shareholder 5.27

Index

- Financing – *contd***
- interest-free loan – *contd*
 - comparability factors 5.41–5.47
 - quasi equity 5.22, 5.35
 - repayable at fixed date 5.28
 - subordinated to other creditors 5.29, 5.44
 - where interest contemplated 5.30
 - intra-group insurance 5.62–5.64
 - intra-group services 4.12
 - non-financial guarantees 5.62–5.64
 - performance guarantee 5.63
 - problems with transfer pricing 5.1–5.5
 - profit participating loans 5.73–5.75
 - risk/cost-benefit equation 5.13–5.21
 - thin capitalisation 2.38, 5.3, 5.13–5.21, 5.22, 5.34–5.36
 - debt-to-EBITDA ratio 5.19–5.21
 - debt-to-equity ratio 5.48–5.51
- See also DEBT; LOAN*
- Finland 250–254
- France 254–258
- Franchise
- fee, intellectual capital 6.22
 - inadvertent 7.37
- Functional analysis
- aim 1.20
 - arm's length principle 1.19–1.20
 - comparability factors 2.28
- Germany 258–263
- debt-to-equity ratios 5.18
- Global formulary apportionment
- generally 2.16–2.18
- Goodwill
- intellectual property 6.20
 - transfer on business
 - restructuring 7.27
 - valuation 6.102–6.113, 6.129–6.130
- Government policy
- OECD guidelines 2.47–2.48
- Government subsidy
- OECD guidelines 2.47–2.48
- Greece 263–267
- Group entity
- comfort letters 5.61
 - guarantee fees
 - establishing benefit received 5.55–5.64
 - generally 5.52–5.55
 - structure 3.7–3.8, 3.13–3.15
- See also ASSOCIATED ENTERPRISES; MULTINATIONAL ENTITY; SUBSIDIARY*
- Group mismatch scheme
- UK legislation 10.16
- Guarantee fee
- establishing benefit received 5.55–5.64
- Guarantee fee – *contd*
- generally 5.52–5.55
- Hong Kong 267–271
- Hungary 271–276
- India 276–280
- thin capitalisation 5.18
- Indirect taxation
- transfer pricing 8.15
- Indonesia 280–284
- Intangible property
- arm's length principle 6.3, 6.14, 6.17–6.19, 6.29–6.30
 - timing of test 6.96–6.100
 - assets 6.20, 6.23–6.25
 - bundled rights 2.40–2.41
 - business restructuring
 - compensation 7.41
 - transfer on 7.27
 - categories 6.20–6.34
 - contract manufacturer 3.5
 - definition 6.18, 6.35–6.41
 - development costs 6.93
 - generally 3.1
 - industrial intangibles 6.3
 - intellectual capital 6.20–6.22
 - intellectual property *See INTELLECTUAL PROPERTY*
 - know-how 6.20, 6.26, 6.42–6.47
 - liabilities 6.20
 - licence
 - comparability 6.87
 - depreciated cash flow 6.94
 - fee/royalties 6.62, 6.90, 6.94, 6.102–6.113
 - licensee 6.3, 6.29, 6.62
 - licensor 6.3, 6.29, 6.62
 - package licensing 6.87
 - terms of 6.87
 - manufacturing entities 3.12
 - market capitalisation method 6.29
 - marketing intangibles 6.3
 - OECD guidelines 2.94, 6.1–6.19
 - ownership of 6.59–6.80
 - risk 6.20, 6.29
 - sale 6.93
 - separately identifiable test 6.36–6.41
 - soft intangibles 6.6, 6.13, 6.30, 6.41, 6.48–6.58
 - third party transactions 6.56
 - trade secrets 6.26, 6.42–6.47
 - valuation
 - adjusted CUP/CUT 6.94
 - CUP method 6.83–6.88
 - depreciated cash flow 6.94
 - differential profit analysis 6.94
 - examples 6.102–6.130

- Intangible property – *contd*
 valuation – *contd*
 generally 6.10, 6.14–6.19, 6.81–6.95,
 6.131–6.132
 historic cost method 6.94
 industry norm 6.94
 lifecycle of investment/return 6.92–
 6.93
 market approach 6.94
 profits available method 6.94
 replacement cost method 6.94
 residual profit methods 6.94
 return on research and
 development 6.94
 rule of thumb 6.90, 6.94
- Intellectual capital
 comparability analysis 6.21–6.22
 franchise fees 6.22
 intangible property, as 6.20–6.22
 service charges 6.22
- Intellectual property
 arm's length principle, timing of
 test 6.96–6.100
 centralised development and
 control 7.5
 computer software 6.74, 6.124–6.127
 copyright 6.20, 6.25, 6.41, 6.74–6.79
 development costs 6.93
 exit charge on transfer 6.28
 generally 6.20, 6.26–6.27
 intangible property, as 6.20
 intra-group services 4.12
 transfer on business
 restructuring 7.27
- valuation
 adjusted CUP/CUT 6.94
 CUP method 6.83–6.88
 decapitalisation of IP value 6.94
 depreciated cash flow 6.94
 differential profit analysis 6.94
 examples 6.102–6.130
 generally 6.28–6.29, 6.81–6.95,
 6.131–6.132
 historic cost method 6.94
 industry norm 6.94
 lifecycle of investment/return 6.92–
 6.93
 market approach 6.94
 price comparison 6.94
 profits available method 6.94
 replacement cost method 6.94
 residual profit methods 6.94
 return on research and
 development 6.94
 rule of thumb 6.90, 6.94
 third party licences 6.29
- Interest
 OECD guidelines 352
- Ireland 285–288
- Israel 289–292
- IT support
 implementing and monitoring
 transfer pricing 8.17, 8.25, 8.31
 intra-group services 4.12
 retainer fees 4.20
- Italy 292–297
- Japan 297–301
- Kazakhstan 301–306
- Kenya 306–310
- Know-how
 intellectual property 6.20, 6.26, 6.42–
 6.47
 secret 6.20, 6.42–6.47
- Korea 310–314
- Latvia 314–318
- Lease
 finance 5.65–5.67
- Legal services
 intra-group 4.12
 retainer fees 4.20
- Lithuania 318–322
- Loan
 comfort letters 5.61
 environmental guarantee 5.63
 guarantee fees
 establishing benefit received 5.55–
 5.64
 generally 5.52–5.55
 interest-free
 accounting treatment 5.31–5.36
 advanced by shareholder 5.27
 arm's length principle 5.22, 5.24,
 5.41
 debt or equity 5.22–5.36
 hidden equity capitalisation 5.23
 hybrid financing 5.23
 informal capital contributions 5.25
 loan repayable at fixed date 5.28
 payments constituting interest 5.30
 quasi equity 5.22, 5.35
 subordinated to other
 creditors 5.29, 5.44
 where interest contemplated 5.30
 intra-group insurance 5.62–5.64
 non-financial guarantees 5.62–5.64
- Pricing
 comparable factors 5.41–5.47
 CUP method 5.41, 5.44
 interest rates 5.37–5.40
 profit participating 5.73–5.75
See also DEBT; FINANCING
- Loan relationship
 exchange gains or losses 10.16
- Loss
 arm's length principle 1.20–1.21

Index

- Loss – contd*
 business restructuring 7.17–7.22
 market penetration strategy 2.46
 OECD guidelines 2.45–2.46
- Luxembourg 323–326
- Malaysia 326–332
- Manufacturing entity
 complex manufacturer 3.12–3.13
 contract manufacturer 3.2, 3.5, 3.9–3.11
 toll manufacturer 3.2, 3.6, 3.9–3.11
- Market penetration strategy
 losses 2.46
 MNE following 2.28
- Market research
 intra-group services 4.12
- Marketer
 generally 3.24–3.31
- Marketing
 intangible property 6.3
- Mexico 332–336
- Monitoring transfer pricing
 adapting to changes 8.21
 advance pricing agreements 8.9
 allocation of responsibilities 8.22–8.25
 arm's length principle 8.5
 automation 8.18, 8.34–8.36
 budgeted costs 8.15
 customs duties 8.15
 external monitoring 8.10
 generally 8.1–8.4, 8.7, 8.19–8.20, 8.33
 indirect taxes 8.15
 internal monitoring 8.8–8.9
 IT systems 8.17
 local businesses 8.16
 problems arising 8.11–8.25
 withholding taxes 8.15
- Multinational entity (MNE)
 advance pricing agreements 9.46
 double taxation *See DOUBLE*
- TAXATION
 earnings per share accounts 1.15, 1.17
 EU Arbitration Convention 9.3, 9.15,
 9.29–9.45
 group structure 3.7–3.8, 3.13–3.15
 historic background 1.4–1.7
 inter-company financing 5.6–5.12
 mutual agreement procedure *See*
 MUTUAL AGREEMENT
 PROCEDURE
 profit-before-tax accounts 1.15
 related party transactions 1.12
 tax avoidance 1.12–1.13
 taxable profits 1.12–1.13
 transfer pricing
 audits *See AUDIT*
 generally 1.1–1.7
- Multiple year data
 OECD guidelines 2.44
- Mutual agreement procedure (MAP)
 appropriate adjustment 9.23
 binding arbitration clauses 9.21
 corresponding adjustment 9.23
 double taxation generally 9.15
 obligation on competent
 authorities 9.21
 OECD model treaty 9.17, 9.21–9.28
 rights of taxpayer 9.21
 time limits 9.26–9.27
- Neighbouring rights
 intellectual property 6.20
- Netherlands 336–340
- New Zealand 340–344
 statutory safe harbours 5.18
- Norway 344–348
- OECD guidelines
 advance pricing agreements 9.48, 352
 arm's length principle 2.1–2.5, 2.9,
 2.13–2.20
 arm's length range 2.42–2.43
 associated enterprises 349
 base erosion and profit shifting 2.97
 bilateral safe harbours 2.96
 business restructuring
 arm's length principle 7.15–7.16
 compensation 7.23–7.41
 events covered 7.13–7.16
 generally 7.11–7.12
 risk allocation 7.17–7.22
 commissionaire arrangements 350
 comparability
 foreign comparables 349
 OECD standard 349
 principle of 2.24–2.36
 comparability analysis 2.24–2.36
 comparability factors 2.28
 competent authority 352–353
 cost contribution arrangements 350
 cost sharing agreements 350
 customs valuations 2.51
 documentation
 requirements 351
 time limits 351
 domestic transfer pricing rules 349
 double taxation treaties 9.16–9.20
 mutual agreement procedure 9.17,
 9.21–9.28
 generally 1.25, 2.1–2.5, 349
 global formulary apportionment 2.16
 government policies 2.47–2.48
 intangibles 2.94, 6.1–6.19
 intentional set-offs 2.49–2.50
 interest and penalties 352
 legal status 10.1, 349
 losses 2.45–2.46
 multiple year data 2.44

- OECD guidelines – *contd*
 price setting/testing 2.21–2.23
 recent developments 2.93–2.97
 separate and combined
 transactions 2.40–2.41
 services 350
 tax return disclosures 350–351
 timing issues 2.95
 transaction recharacterisation 2.38–2.39
 transaction undertaken 2.38–2.39
 transfer pricing adjustments 351
 transfer pricing methods 2.52–2.92, 349
 priority of methods 349
 UK legislation 7.11, 10.38
 versions 2.6–2.12
- Organization for Economic Cooperation and Development (OECD)
 generally 348
 guidelines *See OECD GUIDELINES*
- Partnership
 transfer pricing adjustments 10.52
- Patent
 intellectual property 6.20, 6.26, 6.39
 valuation 6.94
- Penalties
 generally 1.25
 OECD guidelines 352
- Performance guarantee
 generally 5.63
- Peru 353–357
- Philippines 357–361
- Poland 361–365
- Portugal 365–369
- Price
 pricing methods *See also CPM; CUP; PSM; RPM; TNMM*
 setting/testing 2.21–2.23
- Product/property
 intangible *See INTANGIBLE PROPERTY*
 intellectual *See INTELLECTUAL PROPERTY*
- Profit
 business restructuring 7.17–7.22
 split between entities 3.9
- Profit before interest and tax (PBIT)
 debt-to-equity ratio 5.15
- Profit split method (PSM)
 generally 2.78–2.85
 main application 2.78–2.85
 OECD guidelines 349
 strengths and weaknesses 2.84–2.85
- Profit-before-tax accounts
 multinational entities 1.15
- Profits available method
 intellectual property 6.94
- Records/documentation
 generally 8.32
 intra-group services 4.31
 maintenance/retention 1.30
 OECD guidelines 351
- Recruitment
 intra-group services 4.12
- Related party transactions
 transfer pricing generally 1.2, 1.12
- Resale price method (RPM)
 brokerage fees 2.68
 functional comparability 2.70
 generally 2.57, 2.62–2.63, 2.65–2.70
 marketing expenditure 2.68
 OECD guidelines 349
 resale price margin 2.65
 stripped buy/sell distributors 3.23
 wholesalers and marketers 3.25, 3.28–3.29
- Research and development
 intra-group services 4.12, 4.13
 pricing 8.13
 valuation 6.94
- Residual analysis
 OECD guidelines 349
- Residual profit methods
 intellectual property 6.94
- Restructuring
 arm's length principle 7.15–7.16
 compensation 7.23–7.41
 non-recognition 7.62–7.66
 compensation
 arm's-length 7.23–7.41
 assets transferred 7.26–7.31
 bright line test 7.41, 7.47
 contractual provision 7.23, 7.32–7.37
 economic factors 7.41
 Missouri rule 7.37
 statute law 7.23, 7.38–7.40
 types of costs generally 7.24
 costs
 advertising 7.45–7.46, 7.56
 bright line 7.47
 entering new model 7.52–7.54
 exiting old model 7.48–7.51
 final period of trading 7.43–7.47
 generally 7.42, 7.55–7.56
 generally 7.1–7.10
 intangible property
 compensation 7.41
 transfer on 7.27
 intellectual property 7.5
 non-recognition 7.62–7.66
 OECD guidelines 7.11–7.12
 compensation 7.23–7.41
 events covered 7.13–7.16

Index

- Restructuring – *contd*
 OECD guidelines – *contd*
 risk allocation 7.17–7.22
 OECD model treaty 7.4
 shared service centres 7.2, 7.5
 substance required to demonstrate
 acceptability 7.58–7.61
 tax incentives 7.7–7.9
 transfer pricing post-restructuring
 7.57
- Risk
 business restructuring 7.17–7.22
 comparability 2.28
 cost-plus method 2.75
 functional analysis, generally 1.19–1.20
 as intangible property 6.20, 6.29
 risk/cost-benefit equation 5.13–5.21
 thin capitalisation 5.13–5.21
 wholesalers and marketers 3.25
- Romania 369–374
- Royalties
 valuation methods 6.90, 6.94
- Russia 374–378
- Safe harbour
 bilateral 2.96
 debt-to-equity ratios 5.18
- Sales and distribution
 commission agents 3.16, 3.18–3.20
 commissionaires 3.21
 distributors 3.32–3.34
 group structure 3.13, 3.16–3.17
 marketers 3.24–3.31
 stripped buy/sell distributors 3.22–3.23
 wholesalers 3.24–3.31
- Self-assessment
 generally 1.30
- Service charge
 calculating recharges 3.23
 intellectual capital 6.22
- Services
 comparability 2.28
 generally 3.1
 intra-group
 all costs plus method 4.18
 arm's-length consideration 4.29–4.30
 benefit to the recipient
 company 4.4, 4.5–4.13
 cost or profit 4.4, 4.26–4.30
 cost-plus method 2.23, 2.71, 2.75,
 4.17–4.18
 CUP method 4.15–4.16
 direct/indirect charging 4.22–4.25
 documentation 4.31
 double charging 4.11
 duplicate costs 4.8–4.9
 fully loaded costs method 4.18
 generally 4.1–4.4
 identifying cost base 4.22–4.25
- Services – *contd*
 intra-group – *contd*
 percentage of turnover 4.19–4.21
 pricing method 4.4, 4.14–4.25
 retainer fees 4.20
 shared service centres 7.2, 7.5
 shareholder costs 4.5–4.13
 tracking time 4.22–4.25
 transactional net margin
 method 4.18
 OECD guidelines 350
 what constitutes 4.12
- Set-off
 intentional 2.49–2.50
- Share acquisition
 financing 5.7–5.9
- Shareholder
 costs
 generally 4.6
 intra-group services 4.5–4.13
 loan advanced by 5.27
- Singapore 378–382
- Slovakia 382–386
- Smaller taxpayers
 exemptions
 advance pricing agreements 9.53
 UK legislation 10.16, 10.53–10.61
- South Africa 386–390
- Spain 390–395
- Stock write-down
 implementation 8.6
- Stripped buy/sell distributor
 generally 3.22–3.23
- Subsidiary
 inter-company financing 5.6–5.12
 transfer pricing adjustments 10.52
- Supply chain
 definition 3.2, 3.4
 generally 3.9–3.11
- Sweden 395–399
- Switzerland 399–403
- Taiwan 403–407
- Tangible goods
 contract manufacturers 3.2, 3.5
 generally 3.1
 supply chain 3.2, 3.4
 toll manufacturers 3.2, 3.6
 widgets 3.2–3.3, 3.9
- Tax avoidance
 multinational entities 1.12–1.13
- Tax return
 book/tax differences 351
 disclosures, OECD guidelines 350–351
 filing 8.5
- Thailand 407–411
- Thin capitalisation
 debt-to-EBITDA ratio 5.19–5.21
 debt-to-equity ratio 5.48–5.51

- Thin capitalisation – *contd*
 generally 2.38
 loan financing 5.13–5.21, 5.22, 5.34–
 5.36
 meaning 5.3
 risk/cost-benefit equation 5.13–5.21
- Timing issues
 OECD developments 2.95
- Toll manufacturer
 definition 3.2, 3.6
 generally 3.9–3.11
- Trade secret
 intellectual property 6.26, 6.42–6.47
 United States 6.44
 valuation 6.114–6.123
- Trademark
 intangible asset, as 6.20, 6.23
 valuation of licence fee 6.102–6.113,
 6.128–6.130
- Training
 intra-group services 4.12
- Transaction
 OECD guidelines 2.38–2.39
 pricing impossible 2.38
 recharacterisation 2.38–2.39
 separate and combined
 transactions 2.40–2.41
 substance differing from form 2.38
- Transactional net margin method
 (TNMM)
 all costs plus 4.18
 fully loaded costs 4.18
 generally 2.86–2.91
 intra-group services 4.18
 OECD guidelines 3.49
 operating profit 2.87–2.89
 strengths and weaknesses 2.90–2.91
 stripped buy/sell distributor 3.23
 United States 2.86
 wholesalers and marketers 3.29
- Transactional profit methods
 generally 2.56–2.58
 net margin See TRANSACTIONAL
 NET MARGIN METHOD
 profit split See PROFIT SPLIT
 METHOD
- Transfer pricing
 audit See AUDIT
 central costs 8.13
 definition 1.1–1.2, 1.12
 historic background 1.4–1.11, 1.22–1.26
 implementation 8.1–8.6
 adapting to changes 8.21
 allocation of responsibilities 8.22–
 8.25
 automation 8.18, 8.34–8.36
 budgeted costs 8.15
 calculating recharges 8.13
 cost allocations 8.6, 8.14
- Transfer pricing – *contd*
 implementation – *contd*
 design stage 8.30
 flexibility 8.21
 holistic approach 8.26–8.33
 internal audit 8.25
 IT systems 8.17, 8.25, 8.31
 local businesses 8.16
 local legislation 8.14
 people side 8.27–8.29
 problems arising 8.11–8.25
 records/documentation 8.32
 inter-company legal agreements 8.12
 justification 1.29
 legislation fig.1.1
 modern business models 1.27–1.30
 monitoring *See MONITORING*
 TRANSFER PRICING
 origins 1.4–1.7
 personal taxes, interaction with 10.45–
 10.48
 price setting/testing 2.21–2.23
 purpose 1.2, 1.12–1.13
 service fees/recharging 8.13
 VAT, interaction with 10.49–10.51
- Transfer pricing methods
 OECD guidelines 2.52–2.92
 selection 2.52–2.54
 several used in conjunction 2.53
 traditional transaction methods 2.56–
 2.59
 transactional profit methods 2.56–2.58
See also CP; CPM; CUP; PSM;
 RPM; TNMM
- Turkey 411–415
- United Kingdom 416–421
- United Kingdom legislation
 adjustments
 balancing payments 10.42–10.44
 compensating adjustments 10.42–
 10.52
 interaction with personal
 taxes 10.45–10.48
 interaction with VAT 10.49–10.51
 partnerships 10.52
 size 10.37–10.41
 subsidiary companies 10.52
 application 10.15–10.20
 double taxation 10.42–10.44
 generally 10.3–10.5
 OECD guidelines 7.11, 10.38
 participation condition 10.18, 10.22–
 10.27
 connected persons 10.26
 definition of control 10.22
 direct participation 10.23
 indirect participation 10.24
 major participants 10.27, 10.32

Index

- United Kingdom legislation – *contd*
 - participation condition – *contd*
 - testing control 10.28–10.36
 - personal taxation 10.45–10.48
 - rules and pre-conditions 10.15–10.20
 - scope 10.11–10.14
 - exemptions 10.16
 - small and medium sized
 - enterprises 10.16, 10.53–10.61
 - linked enterprises 10.58–10.59
 - partner enterprises 10.58, 10.60
 - special categories 10.61
 - taxes covered 10.16
 - TIOPA 2010 10.6–10.10
 - value added tax 10.49–10.51
- United States 421–425
 - advance pricing agreements 9.48
 - arm's length principle 1.24
 - comparable profits method (CPM) 2.86, 2.92
 - comparable uncontrolled financial transaction (CUFT) 2.64
 - comparable uncontrolled transaction (CUT) 2.64
- United States – *contd*
 - debt-to-equity ratios 5.18
 - earnings stripping rules 5.18
 - global formulary apportionment 2.16
 - informal capital contributions 5.25
 - Missouri rule 7.37
 - mutual agreement procedure 9.21, 9.25
 - trade secrets 6.44
 - transfer pricing legislation 1.22–1.24
- Uruguay 425–429
- Value added tax
 - interaction with transfer pricing 10.49–10.51
- Venezuela 429–432
- Vietnam 433–437
- Wholesaler
 - generally 3.24–3.31
- Widget
 - definition 3.2–3.3
 - manufacturing 3.9
- Withholding taxes
 - transfer pricing 8.15