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Transfer Pricing Switzerland

Insights

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Upcoming Transfer Pricing seminars

Get the latest Transfer Pricing updates by joining our breakfast event in Geneva (24 June) on the topic "Transfer Pricing toolbox - What do you need to know?"

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Dear Sir or Madam,

We are pleased to present to you the latest edition of Transfer Pricing Insights – Deloitte Switzerland's bi-monthly newsletter focusing on 'hot' topics and economic related news.

Swiss Transfer Pricing Hot Topics

Deloitte wins the Switzerland Transfer Pricing Firm of the Year Award

Deloitte has been awarded "Switzerland Transfer Pricing Firm of the Year 2014" by the International Tax Review. This award provides testimony of the growing recognition for Deloitte's Transfer Pricing cutting-edge expertise and credentials in the Swiss market place.

Under the leadership of Hans Rudolf Habermacher, Deloitte has continued to expand its client portfolio and demonstrate its expertise across a broad range of industries.

In addition, Deloitte has also won the "Switzerland Tax Firm of the Year 2014" award for the second consecutive year.

Further information on the European Tax Awards 2014 may be found [here](#).

Jeroen Lemmens joins the Swiss Transfer Pricing team as Partner

Jeroen has more than 15 years of experience as a corporate tax and transfer pricing expert. He has assisted companies in streamlining their operating structures to make them more robust and efficient from an operational viewpoint as well as direct and indirect tax perspective.

His broad experience encompasses IP and supply chain planning, audit defence, mutual agreement procedures.

EU Joint Transfer Pricing Forum

On 4 June 2014, the European Commission released a communication on the work of the EU Joint Transfer Pricing Forum (JTPF) in the period July 2012 to January 2014, which includes the JTPF reports on secondary adjustments, transfer pricing risk management and compensating adjustments.

[Read more](#)

OECD BEPS webcast

On 26 May 2014, Senior members from the OECD's Centre for Tax Policy and Administration gave the latest update on the BEPS Project.

[Watch the webcast](#)

arbitration procedures, advance pricing agreement negotiation and transfer pricing documentation strategies.

Before joining Deloitte in September 2008, Jeroen was responsible for all EMEA Transfer Pricing matters at a prominent global automotive multinational.

OECD BEPS Transfer Pricing Deliverables on Track

The OECD has made considerable progress on the OECD/G20 base erosion and profit shifting (BEPS) project with the aim to get approval by the G20 in September 2014 of the BEPS Action Plan deliverables.

During the past month, the OECD has held several important events to provide updates to the public on the BEPS project, including the 2014 transfer pricing deliverables on intangibles and documentation. Although the work of the OECD on BEPS is not complete, local tax authorities are increasingly pursuing aggressive tax audit approaches which they believe are consistent with the direction of the BEPS Action Plan.

Regarding intangibles, the full parameters of the OECD's work are unlikely to be known until 2015. However, low-functioning entities that primarily rely on the provision of capital and the assumption of contractual risk to earn intangible related returns may not find support for their position in the final OECD guidance. Some current international structures may face heightened scrutiny based upon the final OECD guidance. Therefore, it may be worthwhile for taxpayers to review the functions and risks of group entities currently earning intangible returns in light of the OECD direction in order to be prepared in the event of an examination by tax authorities.

With respect to the impact of BEPS on transfer pricing documentation, most companies will be required to disclose additional information. The new country-by-country (CbC) template will require companies to collect financial information that has never been collected in that form. In addition, the master file contains specific requirements for information that most companies have not previously collected. It is intended that both the CbC template and the master file be prepared by the parent company. For companies that do not have a centralized documentation process, these new requirements will likely require changes to their approach to transfer pricing documentation.

Further details on this article may be found [here](#).

“High New Technology Enterprises” in China: What you need to know

The local management of some Chinese subsidiaries of multinational corporations often seeks to qualify the company as a “high and new technology enterprise” (HNTE). HNTE status, which requires ownership of technology by the company, entitles it to the favorable local enterprise income tax rate of 15 percent (versus the standard 25 percent statutory enterprise income tax rate) and a branding impact

viewed by the local government as a contribution to the local industry upgrade.

However, the implications of HNTE status could create concerns for the headquarters management regarding the company's global transfer pricing policies and the global effective tax rate. For instance, the local management may claim owning core IP, even though it may not be core technology from a global group perspective. As a result, we have observed conflicting tension between local management and the company's headquarters on whether the local Chinese entity should apply for HNTE status.

In principle, a company's transfer pricing policy should be based on the facts and a thorough functional and risk analysis. When assessing the economic ownership of IP, special attention should be paid to whether evidence or analyses support the assertion that the local entity in fact contributes to the group core R&D.

Taxpayers with operations in China must balance the local HNTE benefits with the potential transfer pricing exposure.

Please follow this [link](#) to read a comprehensive analysis of this topic.

We hope you have enjoyed this edition of Transfer Pricing Switzerland Insights. If you have questions in relation to one of the above topics or you would like to discuss your situation and receive a professional opinion on any transfer pricing related topics, please feel free to contact us directly via phone or email.

Best regards,

Hans Rudolf Habermacher
Transfer Pricing Practice Leader, Partner

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