

Operational TP



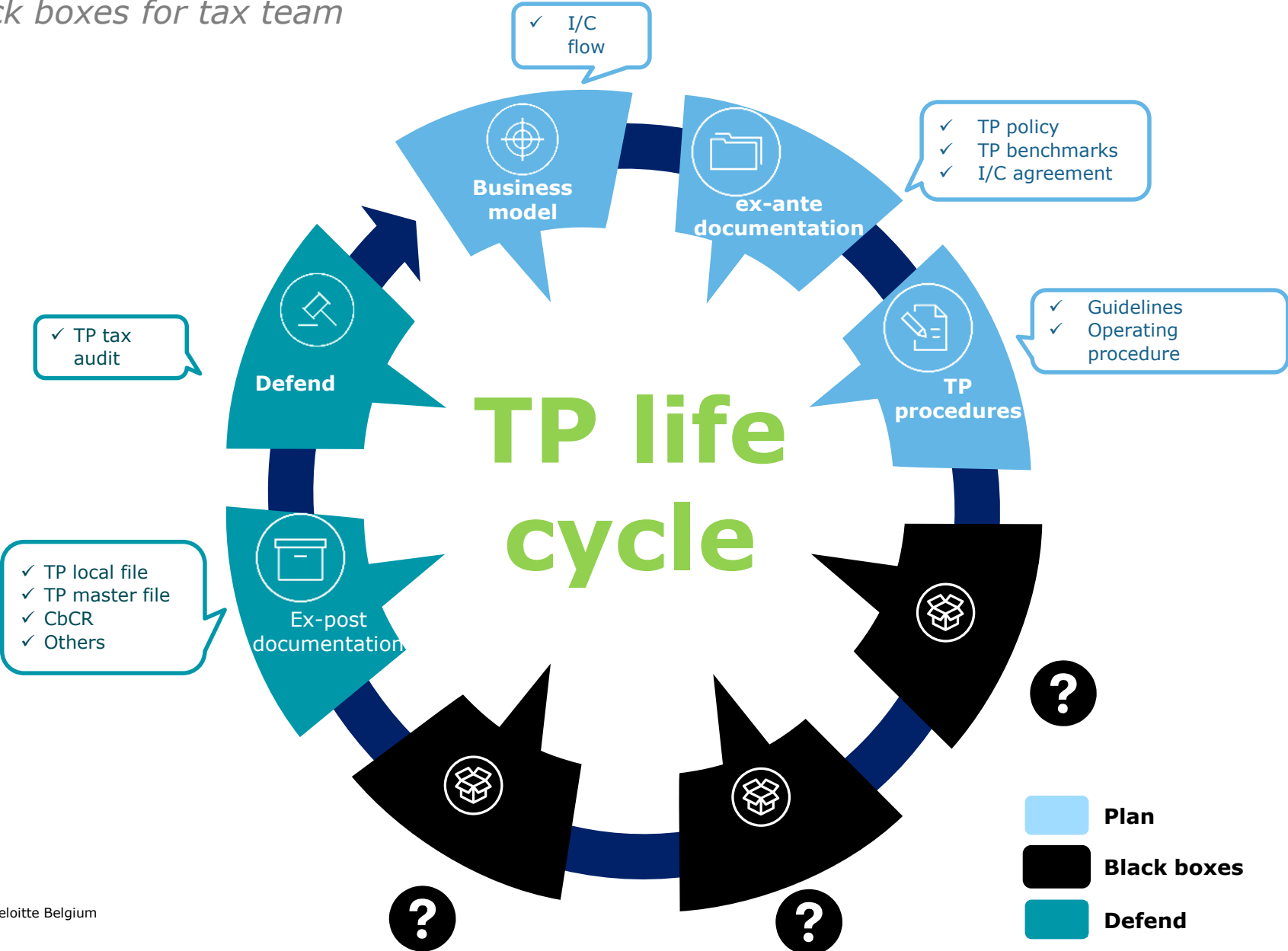
Walk the talk and get it right in your books

March 2018

Tina Boullart, Senior Manager

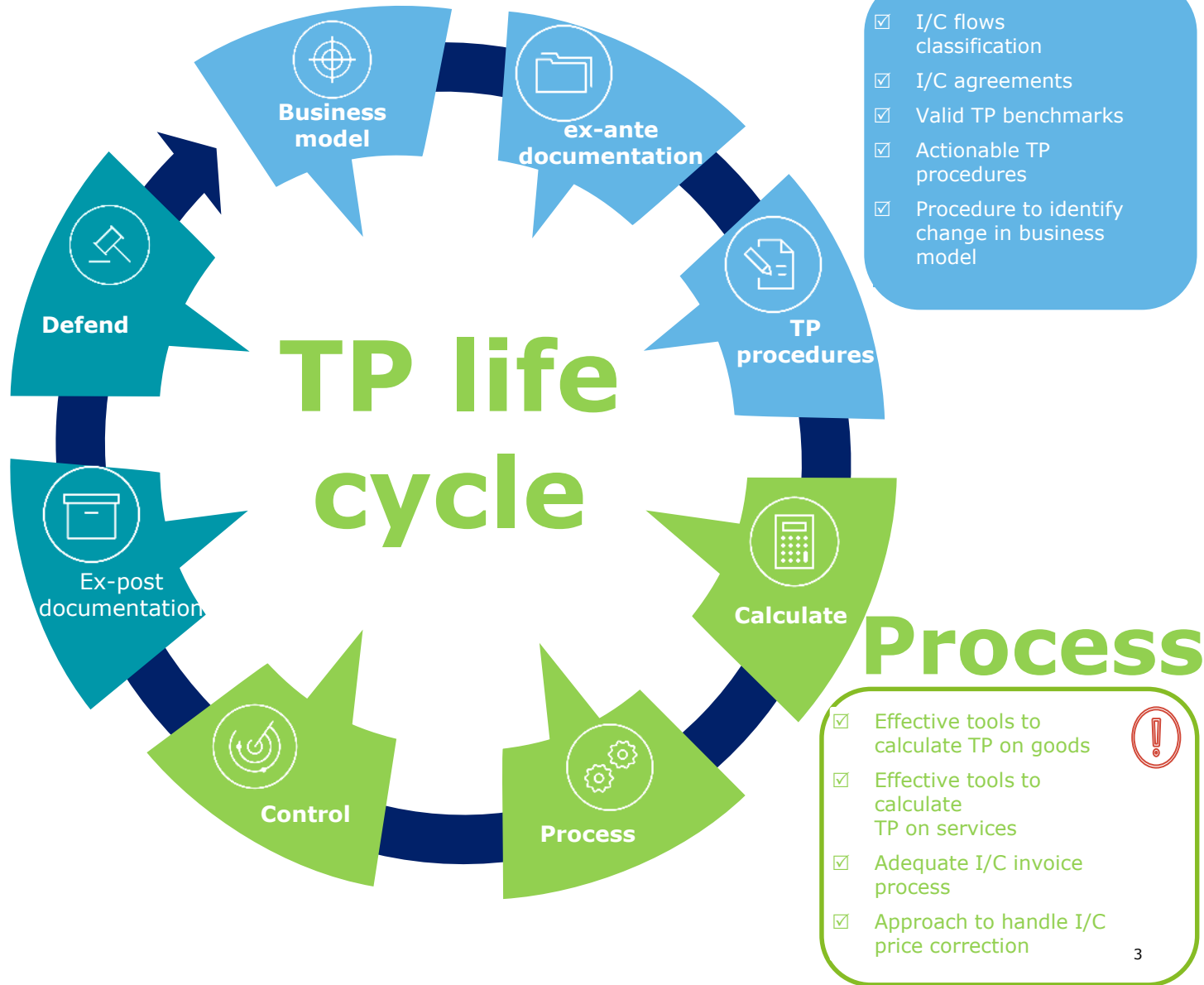
1. TP life cycle

Black boxes for tax team



1. TP life cycle

Operational TP planning to get it right in your books



2. People and organization

Involve all relevant departments



Plan

Process

Defend



| | Ex-ante documentation | TP procedures | Calculate | Process | Control | Ex-post documentation |
|--------------|-----------------------|---------------|-----------|---------|---------|-----------------------|
| TP Manager | ✓ | ✓ | | | | ✓ |
| Finance | | | ✓ | | ✓ | |
| IT | | | | ✓ | | |
| SSC | | | | ✓ | | |
| Indirect Tax | ✓ | | | ✓ | | |

-ILLUSTRATION-

Transfer Pricing steercom

- Set-up as new initiative
- Include in existing initiatives such as e.g. financial committees

3. Policy and process

Create standard operating procedures



People & Organization



Policy & Process



Data & Technology



How **is** a TP procedure usually structured (if it exists)?

- ✓ Statement of intent in terms of TP compliance
- ✓ Key considerations in terms of I/C flows
- ✓ PLI (Profit Level Indicator) to use for key flows
- ✓ Who to contact for new I/C flows



Not an operational document for Finance/SSC

How **should** the TP procedure be written to be operational: task description & scheduling

Goods – How To:

- ✓ Use Budget & forecast numbers during the year: eg calculate commission, standard manufacturing cost
- ✓ Segment P&L : use cost centers, account numbers
- ✓ Calculate TP : application mark-up, currency
- ✓ Deal with variances: monitor during the year
- ✓ Update price in ERP
- ✓ Generate & book TP true-up: period, currency, correct to median/benchmarked range, trend to fall outside range

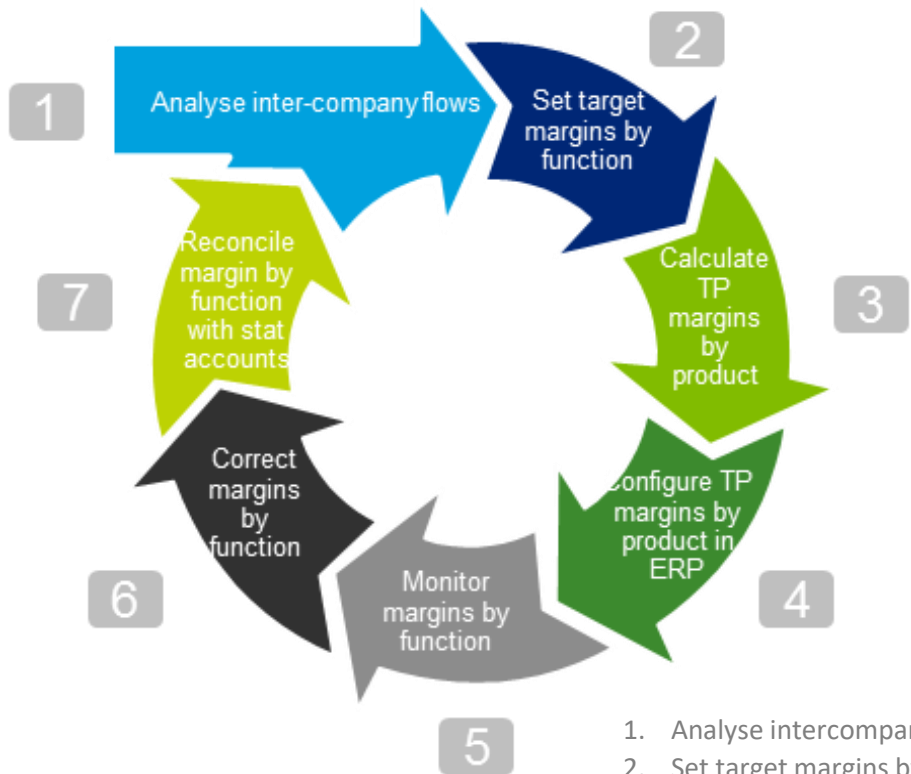
Service – How To:

- ✓ Identify rechargeable services (benefit test, shareholder costs)
- ✓ Pool costs (direct and indirect costs, use of rates)
- ✓ Calculate service fee (profit element, disbursements)
- ✓ Allocate fees (allocation keys: choice and retrieval)
- ✓ Generate and book invoice (budgets vs actuals,)

4. Data and technology

Use technology for a consistent and automated implementation

- People & Organization
- Policy & Process
- Data & Technology**



1. Analyse intercompany flows
2. Set target margins by function
3. Calculate product pricing
4. Configure product pricing in ERP
5. Monitor margins by function
6. Correct margins by function
7. Reconcile margin by function with statutory accounts

- 1 New software**
 - Eg Onesource TP software
 - Highly automated
 - More costly
- 2 Adjust existing ERP system**
 - Harmonized accounting plan
 - all data points should be available
 - Higher volume of transactions
 - Medium cost price
- 3 Modeled Excel structure**
 - Based on macro structure
 - Manual manipulation decreases security
 - Fit for low transaction volume
 - Low cost price for

4. Example year-end calculation

Monitor and correct operational net margin

| Seller | Buyer | Net sales | Full Operating Cost | Operating result before non recurring | Net cost+ margin | benchmark % | Operating result to be | Correction to be invoiced/credited | Already booked Half Year | Balance | sales after correction | operating profit after correction | final net cost margin |
|---|--------------------------|-------------------|---------------------|---------------------------------------|------------------|-------------|------------------------|------------------------------------|--------------------------|------------------|------------------------|-----------------------------------|-----------------------|
| Robotico AB (SE) | Robotico OY (FI) | 294 103 | 286 480 | 7 623 | 2,7% | 3,3% | 9 454 | 1 831 | 0 | 1 831 | 295 933 | 9 454 | 3,30% |
| Robotico AB (SE) | Robotico AS (NO) | 319 894 | 167 142 | 152 752 | 91,4% | 6,7% | 11 199 | -141 553 | 0 | -141 553 | 178 341 | 11 199 | 6,70% |
| Robotico AB (SE) | Robotico Iberica SL (ES) | 110 389 | 93 977 | 16 412 | 17,5% | 6,7% | 6 296 | -10 116 | -6 763 | -3 353 | 100 273 | 6 296 | 6,70% |
| Robotico AB (SE) | Robotico OÜ (EE) | 339 508 | 305 402 | 34 107 | 11,2% | 6,7% | 20 462 | -13 645 | -8 850 | -4 795 | 325 864 | 20 462 | 6,70% |
| Robotico AB (SE) | | 1 063 894 | 853 000 | 210 894 | 24,72% | | 47 411 | (163 483) | (15 613) | (147 870) | 900 411 | 47 411 | 5,6% |
| Robotico Ltd (UK) | Robotico SAS (FR) | 72 892 | 70 885 | 2 008 | 2,8% | 3,3% | 2 339 | 331 | 0 | 331 | 73 224 | 2 339 | 3,30% |
| Robotico Ltd (UK) | Robotico NV (BE) | 333 734 | 327 179 | 6 555 | 2,0% | 3,3% | 10 797 | 4 242 | 0 | 4 242 | 337 975 | 10 797 | 3,30% |
| Robotico Ltd (UK) | | 406 626 | 398 063 | 8 563 | 2,15% | | 13 136 | 4 573 | 0 | 4 573 | 411 199 | 13 136 | 3,3% |
| Robotico NV (BE) | Robotico SAS (FR) | 2 794 348 | 2 738 597 | 55 751 | 2,0% | 3,3% | 90 374 | 34 623 | 1 415 | 33 208 | 2 828 971 | 90 374 | 3,30% |
| Robotico NV (BE) | Robotico Ltd (UK) | 6 124 275 | 5 689 613 | 434 662 | 7,6% | 6,7% | 381 204 | -53 458 | -5 420 | -48 038 | 6 070 817 | 381 204 | 6,70% |
| Robotico NV (BE) | Robotico BV (NL) | 1 986 261 | 1 959 172 | 27 089 | 1,4% | 3,3% | 64 653 | 37 564 | 8 538 | 29 026 | 2 023 825 | 64 653 | 3,30% |
| Robotico NV (BE) | Robotico US | 687 918 | 687 918 | 0 | 0,0% | 3,3% | 22 701 | 22 701 | 12 857 | 9 844 | 710 619 | 22 701 | 3,30% |
| Robotico NV (BE) | Robotico India (IN) | 1 714 975 | 1 717 244 | -2 269 | -0,1% | 3,3% | 56 669 | 58 938 | 0 | 58 938 | 1 773 913 | 56 669 | 3,30% |
| Robotico NV - flexible foam (BE) | | 13 714 402 | 13 190 607 | 523 795 | 3,97% | | 628 737 | 104 942 | 17 390 | 87 552 | 13 819 344 | 628 737 | 4,8% |
| Robotico OY (FI) | Robotico AB (SE) | 165 110 | 158 440 | 6 670 | 4,2% | | | | | | 165 110 | 6 670 | 4,21% |
| Robotico OY (FI) | Robotico OÜ (EE) | 437 030 | 421 850 | 15 180 | 3,6% | | | | | | 437 030 | 15 180 | 3,60% |
| Robotico OY (FI) | | 602 140 | 580 290 | 21 850 | 3,77% | | 0 | 0 | 0 | 0 | 602 140 | 21 850 | 3,8% |
| Robotico SAS (FR) | Robotico Ltd (UK) | 429 568 | 447 794 | -18 226 | -4,1% | 3,3% | 14 777 | 33 003 | 438 | 32 565 | 462 571 | 14 777 | 3,30% |
| Robotico SAS (FR) | Robotico BV (NL) | 2 224 007 | 2 431 473 | -207 466 | -8,5% | 3,3% | 80 239 | 287 705 | 127 979 | 159 726 | 2 511 712 | 80 239 | 3,30% |
| Robotico SAS (FR) | Robotico AB (SE) | 428 507 | 448 546 | -20 039 | -4,5% | 3,3% | 14 802 | 34 841 | 12 680 | 22 161 | 463 348 | 14 802 | 3,30% |
| Robotico SAS (FR) | Robotico Iberica SL (ES) | 1 943 424 | 2 108 785 | -165 361 | -7,8% | 3,3% | 69 590 | 234 951 | 95 699 | 139 252 | 2 178 375 | 69 590 | 3,30% |
| Robotico SAS (FR) | Robotico NV (BE) | 698 741 | 749 694 | -50 953 | -6,8% | 3,3% | 24 740 | 75 693 | 32 591 | 43 102 | 774 434 | 24 740 | 3,30% |
| Robotico SAS (FR) | | 5 724 247 | 6 186 292 | (462 045) | -7,47% | | 204 148 | 666 192 | 269 387 | 396 805 | 6 390 439 | 204 148 | 3,3% |

Periodic monitoring and adjustment approach

optimal adjustment period depends on:

- industry and company (stable & mature versus volatile)
- Size of expected deviations, also based on historical performances
- degree of tolerance if deviations are not too extreme and not systematic

Year-end corrections

- Acceptance local countries (China, India): double taxation issues
- Tangible goods subject to VAT/customs
- Book-to-tax difference: after closing of the books, before filing tax return
- Need for IC agreements and 3d party practice



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax and legal, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.