Value Chain Analysis
A “business lens” approach to understanding your transfer pricing operations

With BEPS Actions 8–10 aiming to tax profits where the value-generating activities occur, multinational companies must reexamine their contractual arrangements. This adjustment process is compounded by the fact that countries may adopt the new rules at different times and interpret them in different ways.

As a result, businesses need detailed transfer pricing and economic analysis to:

- Support tax positions in individual jurisdictions
- Understand interactions with various functions of their entire value chain
- Initiate two-sided reviews of transactions

**Overview**
Value Chain Analysis (VCA) creates context for pricing transactions between entities by assessing the relative contributions made by each entity to the overall business. Deloitte’s methodology, underpinned by proprietary analytics technology, helps companies holistically review their value chain and assess alignment with current transfer pricing arrangements.

**Highlights**
- Assesses the relative contribution of each business function
- Calculates the relative contribution on a country-by-country basis
- Creates a single, global view of your value chain
- Helps align TP strategies with governance and business models
- Compares results against expected industry benchmarks
- Provides a foundation to efficiently meet global transfer pricing requirements
Leveraging technology to assess the value chain from a “business lens” perspective

Phase 1–VCA workshop

Step 1: Describe the value chain
Understand key functions and identify core business profit drivers for each key value chain element

Step 2: Assess relative contribution by function
Leverage executives’ business views, benchmark data, industry experience, and analytics to assess the relative contributions of key functions

Step 3: Assess relative contribution by location
Using profits derived in step 2, apply geographic information of key employees to map to individual countries

Phase 2–Detailed VCA review

Step 4: Assess alignment of financial records and business
Assess the consistency between financial records and business lens, to identify areas for an in-depth transfer pricing analysis

For more information, contact your local client service team today.

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