



Financial Services Transfer Pricing

Our services for the asset management industry

The challenges

The asset management sector is one of the fastest growing sectors in the financial industry. Various market trends such as new distribution channels, increased cost pressure, regulatory change and the rise of intangibles are shaping the industry.

In addition, the OECD Base Erosion and Profit Shifting (BEPS) initiative has fundamentally changed the international tax landscape since 2015. Many jurisdictions are now in the process of revising their domestic tax regulations and treaty framework that will affect the Financial Services (FS) sector.

Luxembourg also started formalizing its transfer pricing (TP) regime by transposing the latest OECD guidance and principles outlined by the OECD TP Guidelines (including an increased focus on TP documentation).

Current challenges for asset managers from a tax perspective include:

“Luxembourg is the number one hub for global cross-border fund distribution. It is the largest fund centre in Europe and second largest in the world.”

ALFI, Annual Report 2016-17

Transfer Pricing

- The overlap of the discussion on organizational and economic substance in context of the tax and regulatory dimension;
- BEPS impact on the appropriateness of existing TP policies and approaches specific to the asset management sector. These cover the split of management fees for the remuneration of cross-border distribution, investment management, fund production, administration and other services;
- How to remunerate the unique role of captive regulated management companies (ManCos) in the asset management sector that are licensed under the UCITS and/or AIFMD directives;
- Tax treatment of intercompany services and management activities with respect to determination of beneficial activities, cost base and allocation;
- The rise of intangibles covering technology (e.g. in the form of end-to-end investment platforms) and marketing and to what extent the use should be remunerated via a license of service fee;
- Increased focus on the tax as part of corporate governance function.

How Deloitte can support

Deloitte has supported many of the key players in the asset management sector on complex TP engagements including:

- Transfer pricing planning and policy setting (also in the context of establishing new operations in Luxembourg);
- Benchmarking and economic analysis to determine arm`s length splits of management fees, the remuneration of captive ManCos and license/service fees;
- Transfer pricing risk reviews and BEPS assessments;
- Restructurings and transfer of activities (e.g. related to Brexit);
- Operationalization of new policies including legal structuring;
- Transfer pricing documentation; and
- Defense of transfer pricing policies towards tax authorities in tax audits and negotiation of (bilateral or multilateral) Advance Pricing Agreements (APA).

Your advantage

We are distinct in our multi-disciplinary and collaborative model and the value that model brings to our clients. We take time to understand the needs and expectations of our clients and develop a pragmatic solution that considers the strategic, operational, regulatory and tax imperatives of your business.

By adding the necessary industry expertise and our experienced people focusing on the FS sector, we understand our clients' most challenging business issues and how to solve them.

We supported many of the leading asset managers on planning, implementing, documenting and defending their transfer pricing arrangements. Luxembourg is one of Deloitte's global competence centres for transfer pricing in the FS sector and has developed new and innovative approaches (e.g. a CUP-based approach based to benchmark the remuneration for captive ManCos using third party ManCo data) and works closely with industry and tax experts from the advisory side and global Deloitte network.

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