



Financial Services Transfer Pricing

Our services for treasury arrangements

The challenges

The treasury function has experienced an enormous change in its profile and responsibilities. Often considered as back-office functionality in the past, it has emerged for many corporates and companies in other sectors into a key function responsible for managing liquidity through cash pooling and other advanced treasury arrangements, intermediating short-term and long-term financing in the group, raising external financing, investing excess funds and providing additional services such as guarantees, factoring or foreign-exchange hedging.

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 treasury arrangements.

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).

“Partnering with tax, finance and risk teams, coupled with greater use of available technologies, will set the course for Treasury as a key stakeholder with a permanent seat at the table.”

2017 Global Corporate Treasury Survey, Deloitte

Current challenges for treasury functions from a tax perspective include:

- The overlap of the discussion on organizational and economic substance and financial capacity to bear risk;
- Impact of BEPS and key court cases on the appropriateness of existing TP policies and approaches for cash pooling arrangements regarding the determination of interest rates/spreads for withdrawals and deposits based on comparable data;
- Approaches to credit ratings for short-term financing arrangements and consideration of creditworthiness of both participants and cash pool leaders;
- Consideration for negative interest environment in the Euro-zone;
- Remuneration of cash pool leader in light of its functional (substance) and risk (refinancing and FX) profile, potential cross-guarantees and strategic considerations;
- Splitting of cash pool benefits and redistribution strategy;
- Consistency of short-term and long-term financing activities and treatment of imbalanced or de-facto long-term positions;
- Transfer pricing treatment of advanced treasury arrangements including payment-on-behalf-of (POBO), collection-on-behalf-of (COBO) and virtual cash management (VCM)
- Tax audit environment and documentation/defense.

How Deloitte can support

Deloitte has supported a broad range of clients in the corporate and other sectors on engagements including:

- Transfer pricing planning and policy setting for new treasury arrangements;
- Benchmarking and economic analysis to determine arm`s length interest rates/spread and approaches for ex-post distribution of cash pool benefits;
- 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.

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 treasury sector, we understand our clients' most challenging business issues and how to solve them.

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