

Day 1, Session 2 Introduction to Transfer Pricing *Workshop*



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Advanced Transfer Pricing Course (General Topics), April 15-19, 2024

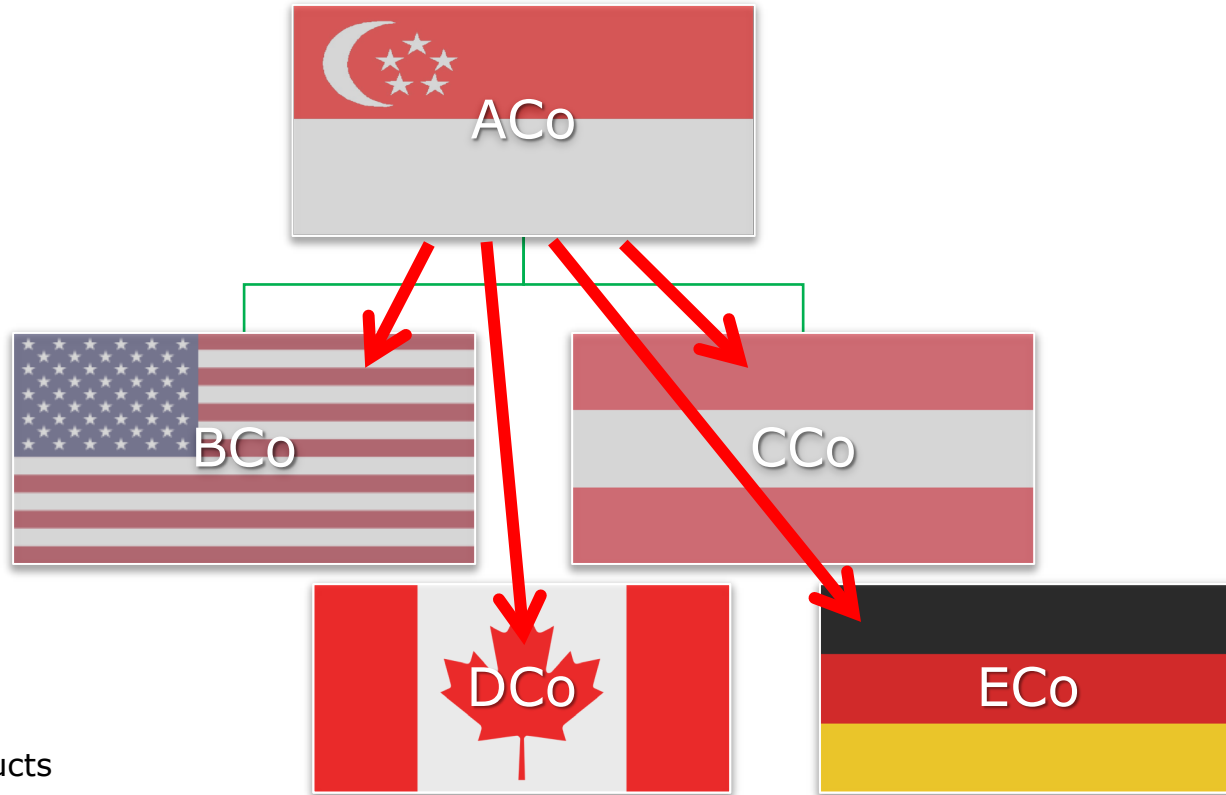
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Description of the Case

- Techco Group, a producer of technical equipment, manufactures and sells different kinds of appliances. Manufacturing takes place at the parent company's factory in Singapore (ACo). ACo owns all product related intangibles and controls the entire production process and all relevant intangibles needed in the production process.
- Since many years, the group is heavily investing in a new product line which is expected to sell with high volumes. Development of the corporate strategy and other headquarter functions are undertaken by ACo.
- The products of Techco Group are sold via its subsidiaries in the United States (BCo) and in Austria (CCo). Techco Group has also some unrelated distributors for its products, in Canada (DCo) and Germany (ECO).
- BCo and CCo serve as "distributors" of Techco Group's products in their local markets. The distributors sometimes employ skilled sales people. They also provide professional advice as well as other pre- and after-sales services to their customers.
- CCo has recently started a significant marketing campaign in order to enhance the product awareness in the local market. However, no agreement on this was concluded between ACo and CCo.
- Based on the TP policy of the group, ACo is considered the central entrepreneur (i.e., it undertakes all major functions, assets and risks, and, therefore, is entitled to all the residual profits and losses), while the related parties distributors are considered as limited risk distributors (i.e., they undertake limited functions, assets and risks, and, therefore, are entitled to low but stable profits)

Description of the case



➔ Finished products

Please answer the following questions:

- a. Which transactions might be covered by transfer pricing rules?
- b. In which countries can the profits out of those transactions be adjusted?
- c. Accurate delineation and recognition of the transaction. Imagine you are the Austrian tax administration: what would you complain about with the taxpayer?
- d. Accurate delineation and recognition of the transaction. Imagine you are the transfer pricing manager of Techco Group: how would you defend the TP policy of your group?
- e. What would be the most appropriate method to apply to the intra-group transactions?
- f. How would you apply the selected method?

When needed, please make your own assumptions.

Contact details



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