

## Case Study VI:

### Intra-group Financing and Arm`s length interest rates

#### Modul 5

#### Facts:

**Innovation** Group is a listed company with Group Holding/Headquarter domiciled in Switzerland. **Innovation** has business activities in most markets and operates in those markets by a number of legal entities per country (with country / regional holdings).

**Note: Swiss Group holding is tax exempted for dividends and capital gains and low taxed on interest income (approx. 8%) (current Swiss holding regime).**

**Innovation Group** has an **A** rating by **S+P**

**Innovation** Group`s **Treasury Center** (main unit) is located in the Netherlands. Intra group borrowings/loans are provided by such Center.

**Innovation** Group uses an **intra-group rating model (with an S+P Tool)** to price interest and parental guarantees.

You are asked to comment on tax issues related to the **structuring and pricing** of intra group borrowings/loans and the related documentation.

#### The questions:

1. What **documentation** is needed for an intra-group loan/deposit? What are the minimum requirements (terms) in a loan documentation?

2. What **pricing method(s)** are typically used to price interest in intra-group loans?
3. What **market factors** are relevant in using the (hypothetical) CUP method? currencies?, maturities?, credit risks? others? Please list the factors.
4. Please describe - in a summarizing way - ways to price the risk within a group of companies, especially the process of an **“intra group” rating using a tool**.
5. What is the impact of an **“implicit guarantee”** in the pricing process – please explain the examples 1+2 in the TPG 2017 chapter I (pages 92/93).

### Literature:

- Skript Modul 5 Angemessene Zinsen
- VPR Tz 87 - 101
- **Gottholmseder Georg** , OECD Discussion Draft zu Transfer Pricing Aspects of Financial Transactions, in TPI 2018, S 193-197
- **Holzinger/Storck**, Zinsbemessung bei Darlehen im Konzernverbund - FG Münster zur fremdüblichen Verrechnung von Darlehenszinsen, in TPI 2017, S 216-223
- **Storck Alfred**, Die Bestimmung marktüblicher Verrechnungspreise für konzerninterne Darlehen, Vortrag im Rahmen der Vortragsreihe: Modernisierung des Unternehmenssteuerrechts an der Uni Göttingen, NWB Verlag Herne 2013, Seite 26 ff \*

\*siehe Webseite