TRANSFER PRICING SERVICES
Multinational enterprises were the first to take advantage of the integration of national economies that has accelerated in the last decades. As national governments hesitated to acknowledge the multilateral nature of globalization, multinationals could use legislative differences to save taxes. As a result of the global financial crisis of 2009, both governments and the general public expressed their indignation on the tax-driven practices of high-profile multinationals.

**G20 / OECD BEPS**
- **USA**
- **FATCA**
- **EU**
- **DIRECTIVES OF TAXATION**

**Actions and Reactions of the World**

Governments and international organizations had to respond to the ongoing worldwide problem from a tax point of view. Various international stakeholders started initiatives to mitigate the effects of harmful tax practices of multinationals.

**OECD - Base Erosion and Profit Shifting (BEPS) – Action plan**

The G20 finance ministers called on the OECD to develop an action plan to address BEPS issues in a co-ordinated and comprehensive manner. Specifically, this Action Plan should provide countries with domestic and international instruments that will better align rights to tax with economic activity. The Action Plan focuses on the following topics:

- **TAX CHALLENGES OF DIGITAL ECONOMY**
  - HYBRID MISMATCH ARRANGEMENTS
  - FOREIGN COMPANIES’ RULES
  - LIMIT BASE EROSION
  - COUNTER HARMFUL TAX PRACTICES

- **COHERENCE OF CIT AT AN INTERNATIONAL LEVEL**
  - LIMIT BASE EROSION

- **REALIGNMENT OF TAXATION**
  - INTANGIBLES AT ARM’S LENGTH LEVEL
  - RISKS & CAPITAL AT ARM’S LENGTH LEVEL
  - HIGH RISK TRANSACTIONS AT ARM’S LENGTH LEVEL

- **TRANSPARENCY, CERTAINTY AND PREDICTABILITY**
  - ESTABLISHING METHODS
  - DISCLOSE AGGRESSIVE TAX PLANNING
  - RE-EXAMINE TPD

- **DEVELOP A MULTILATERAL INSTRUMENT**
  - MNE MINIMIZES TAX BURDEN
  - GOVERNMENT HARMED
  - INDIVIDUAL HARMED
  - BUSINESS HARMED

**Global Indignation**
RISK ASSESSMENT

Under the current economic situation, businesses should focus on the following issues in order to create / maintain defendable structures:

<table>
<thead>
<tr>
<th>Economic substance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active decision making</td>
</tr>
<tr>
<td>Oversight and control over risk</td>
</tr>
</tbody>
</table>

**Transfer Pricing**
- remuneration of transactions has to be in line with the arm’s length principle

**Transactions**
The subject of transfer pricing is the transactions between related enterprises that may take any shape and form. The most prominent transaction categories from a transfer pricing point of view are as follows.

<table>
<thead>
<tr>
<th>PRODUCTS / GOODS / SERVICES</th>
<th>FINANCIAL SERVICES</th>
<th>INTELLECTUAL PROPERTY</th>
<th>RESTRUCTURING</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROVISION / RECEIP OF SERVICES</td>
<td>LOAN / DEPOSIT</td>
<td>TRANSFER OF IP</td>
<td>POST &amp; NEW STRUCTURE</td>
</tr>
<tr>
<td>SALE / PURCHASE OF GOODS</td>
<td>CASH-POOLING</td>
<td>USE OF IP</td>
<td>EXIT CHARGE</td>
</tr>
<tr>
<td>AGENTS</td>
<td>GUARANTEE</td>
<td></td>
<td>SHARE TRANSACTIONS</td>
</tr>
<tr>
<td></td>
<td>DERIVATIVE TRANSACTIONS</td>
<td></td>
<td>BUY IN / BUY OUT PAYMENT</td>
</tr>
<tr>
<td></td>
<td>FACTORING</td>
<td></td>
<td>ASSET TRANSFERS</td>
</tr>
<tr>
<td></td>
<td>INSURANCE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ECONOMIC TRANSACTIONS</th>
<th>METHOD</th>
<th>SOURCE OF COMPARABLE DATA</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANUFACTURING SPARE PARTS</td>
<td>TRANSACTIONAL NET MARGIN METHOD</td>
<td>AMADEUS</td>
</tr>
<tr>
<td>LOAN PROVISION</td>
<td>TWO-STEP PROCESS, COMPARABLE UNCONTROLLED PRICE METHOD (CUP)</td>
<td>MOODY’S RISKCALC BLOOMBERG</td>
</tr>
<tr>
<td>TRANSFER OF IP</td>
<td>CUP</td>
<td>BOND’S FRANCHISE GUIDE</td>
</tr>
</tbody>
</table>
Benchmarking tools

Transfer pricing relies on market prices that are available from various databases with different purposes and applicability.

The core of most transfer pricing analyses is benchmarking, i.e., the collection of comparable data. Databases maintained by international data aggregators support the benchmarking by presenting financial and other data in a concise and transparent manner.

- **Amadeus**: Amadeus is a database used for searching for comparable entities, containing financial and general information of either 3 or 20 million European entities depending on the coverage of the database.
- **Orbis**: Similarly to Amadeus, it is a database used for finding comparable entities, but with a worldwide coverage of over 110 million entities along with their financial and general data. Orbis is only available online.
- **KtMine**: KtMine is an online database containing 15,000 royalty and commission agreements, along with the general summary and features of the contracts covered.

Transfer pricing of financial transactions has a specific toolset and analytical framework for benchmarking purposes focusing on comparability and a wide range of comparable data from market sources:

- **Moody’s**: credit rating estimation for a specified corporation on a stand-alone basis.
- **Bloomberg**: Bloomberg is the leader in financial information across industries, and across the world. Bond search, yield curves, fx transactions, CDS spread, SWAP, etc. are available in a searchable way.
HOW CAN MAZARS HELP YOU?

Mazars is an integrated international partnership of independent professional service firms that provides a full range of audit and assurance, tax and advisory services. Our team consists of tax specialists, accountants and economists, which ensures that we can provide, develop and implement customized transfer pricing solutions that fit our clients’ commercial and tax strategies. Our team has dealt with clients on a range of issues, including transfer pricing assurance and documentation, planning and structuring, and audit defense. This provides us with a broad and deep knowledge of the solutions that have proved successful with a range of clients across various industries. We also draw upon transfer pricing expertise from across the world to ensure that we provide our clients with truly global transfer pricing solutions.

The wide range of inter-company transactions requires an up-to-date and broad knowledge of both business and economy. Mazars offers the following main services related to transfer pricing:

GLOBAL KNOWLEDGE CENTER

Mazars established a group of transfer pricing professionals who possess a high level of knowledge and experience in the main pressure areas of the international transfer pricing matters: financial transactions, intellectual properties, restructuring, valuations for M&A transactions, BEPS compliance and value-chain analysis. The goal of the Global Knowledge Center is to assist all Mazars offices in their everyday work and coordinate cross-border engagements with a global view on the clients’ business.

In the years since its inception, the Global Knowledge Center proved to be highly efficient coordination and knowledge sharing center of the Mazars network serving the largest clients and delivering unique solutions for all industries.
MAZARS IS AN INTERNATIONAL, INTEGRATED AND INDEPENDENT ORGANISATION SPECIALISING IN AUDIT, ADVISORY, ACCOUNTING, TAX AND LEGAL SERVICES. AS OF JANUARY 1, 2014, THE GROUP OPERATES IN 72 COUNTRIES, AND DRAWS ON THE EXPERTISE OF 13,800 PROFESSIONALS TO ASSIST COMPANIES AND PUBLIC BODIES, AT EVERY STAGE IN THEIR DEVELOPMENT.

WHO CAN HELP YOU?

Please engage in a conversation with our dedicated professionals who have a wealth of experience and local knowledge and are able to give you independent and practical advice tailored to solutions that meet your requirements.

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