Transfer Pricing

49th SGATAR Annual Meeting

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Chinese Taipei

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Agenda

☐ **Approaches in Transfer Pricing Analysis**

☐ **Comparables**

☐ **Transfer Pricing Dispute Resolution**

Approaches in Transfer Pricing Analysis

❑ Transaction-by-Transaction Approach vs Aggregate Approach

■ In principle: Transaction-by-Transaction Approach

■ Exception: Aggregate Approach

Case for Transfer Pricing Analysis

Authorizing right to use the intangible assets owned by company A

Country Y

Country X

Company B

Placing an Order

Company A

Selling finished goods

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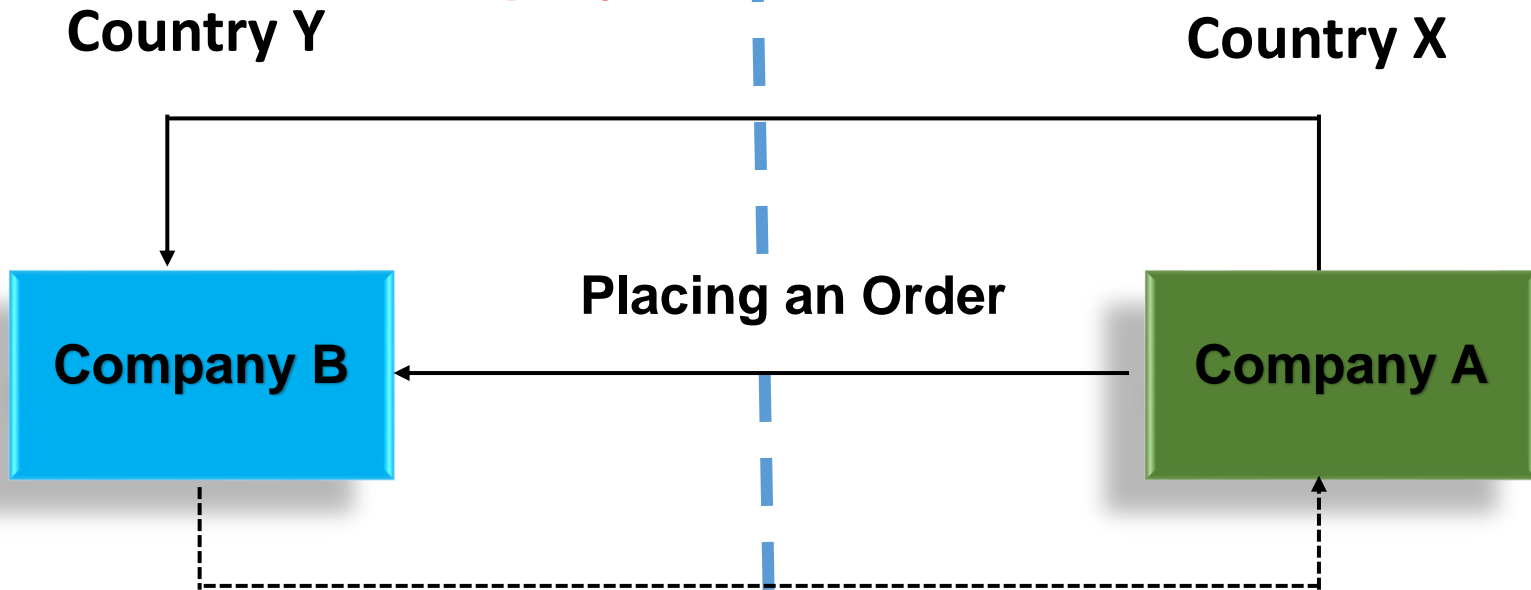
Comparables

Searching and selecting the comparables

■Internal vs external
Internal comparables are not often used.

■Local vs foreign
We give priority to comparables located in the same jurisdiction.

Comparables

Obstacles in searching and selecting the external comparables

- CUT: Intangible Assets
- CPM is the most common method
- The arm's length range: Interquartile range

Transfer Pricing Dispute Resolution

Obstacles in achieving the effective and efficient MAP and APA

- BAPA cases are assigned to different NTBs
- No consistency strategies and schedules for BAPA

Transfer Pricing Dispute Resolution

❑Developments in dealing with the MAP and APA

■The application procedures for unilateral APA in TP Regulations

■MAP Directions (June 2018)

■Case: BAPA dispute resolved under MAP

Case: BAPA dispute resolved under MAP

❑ **Tax collection authorities in country S**

- ◼ Treated the subsidiary as a limited risk distributor
- ◼ Only added-up part of costs

❑ **Our tax collection authorities**

- ◼ The AMP activities could increase the value of the entire MNE's marketing intangibles.
- ◼ The subsidiary should not be treated merely as a limited risk distributor
- ◼ Unreliable comparables

Resolution

❑ **Our tax collection authorities**
  ◼ Replacing comparables
  ◼ ROS of arm's length: 5.83%

❑ **Tax collection authorities in country S**
  ◼ Replacing comparables
  ◼ ROS of arm's length: 1.46%

❑ **Deal done**
  ◼ ROS of arm's length:3.5%

Thank You