



TRANSPRICE
TAX ADVISORS

Advanced Transfer Pricing Concepts

Don't Pay Any Price, Learn to Price – Global experiences

TransPrice GDT - UAE

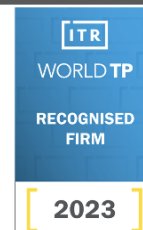
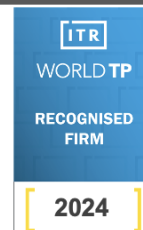
TRANSFER PRICING | TAXATION | INTERNATIONAL TAX | CONSULTING

Copyright © 2025 TransPrice GDT Tax Advisors LLC. All rights reserved.

WE ARE

TRANSPRICE TAX

AN AWARD-WINNING AND GLOBALLY RANKED
TRANSFER PRICING FIRM – 2023-2024-2025





ONE IS GREAT- TWO IS AWESOME

Transfer Pricing is an Art, Sport & Strategy



HOW DO YOU TAKE DECISION?

- ★ Why do you pay AED 30 for a Coffee worth AED 2
- ★ Buying Car – Sedan / SUV / Hatchback / Family
- ★ Selecting someone for doing job work?
- ★ While purchasing drinking water?
- ★ Drinking Water – Masafi vs Aquafina?
- ★ What if you don't get similar things/similar situations?

Life prepares you to be a transfer pricing professional

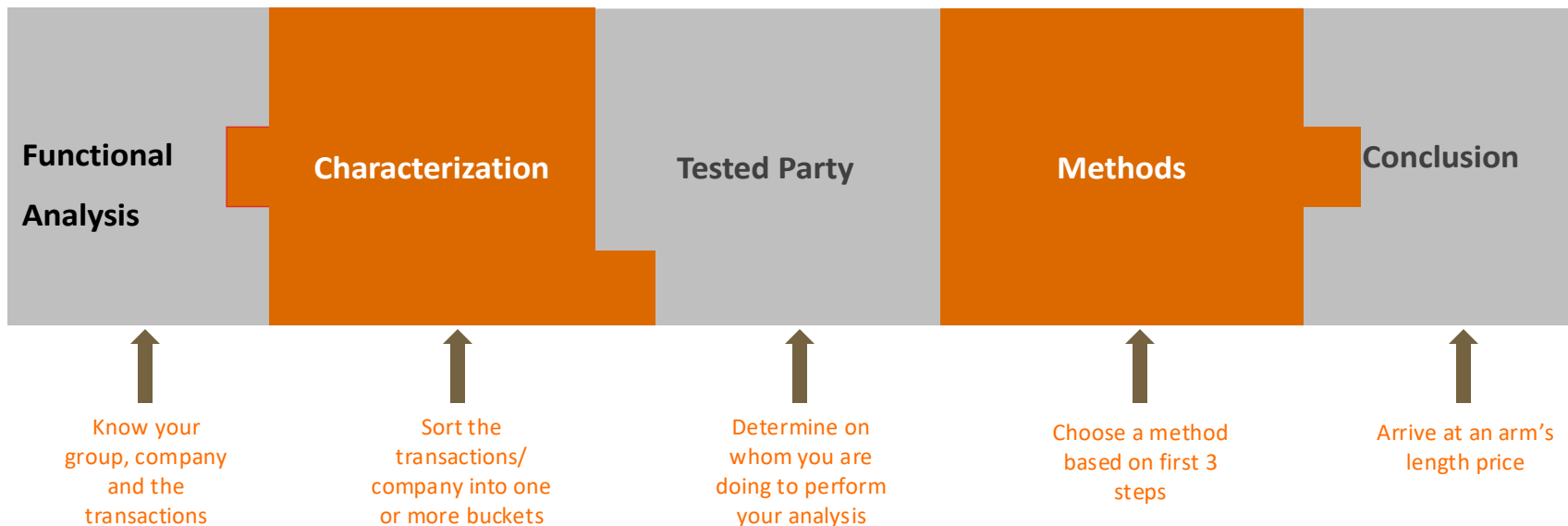


FACTORS OF COMPARABILITY



KEY ELEMENTS OF THE JOURNEY

TRANSFER PRICING JIGSAW



BUCKETING

TRANSFER PRICING BUSINESS MODELS



TRADING | MANUFACTURING | SERVICE PROVISION

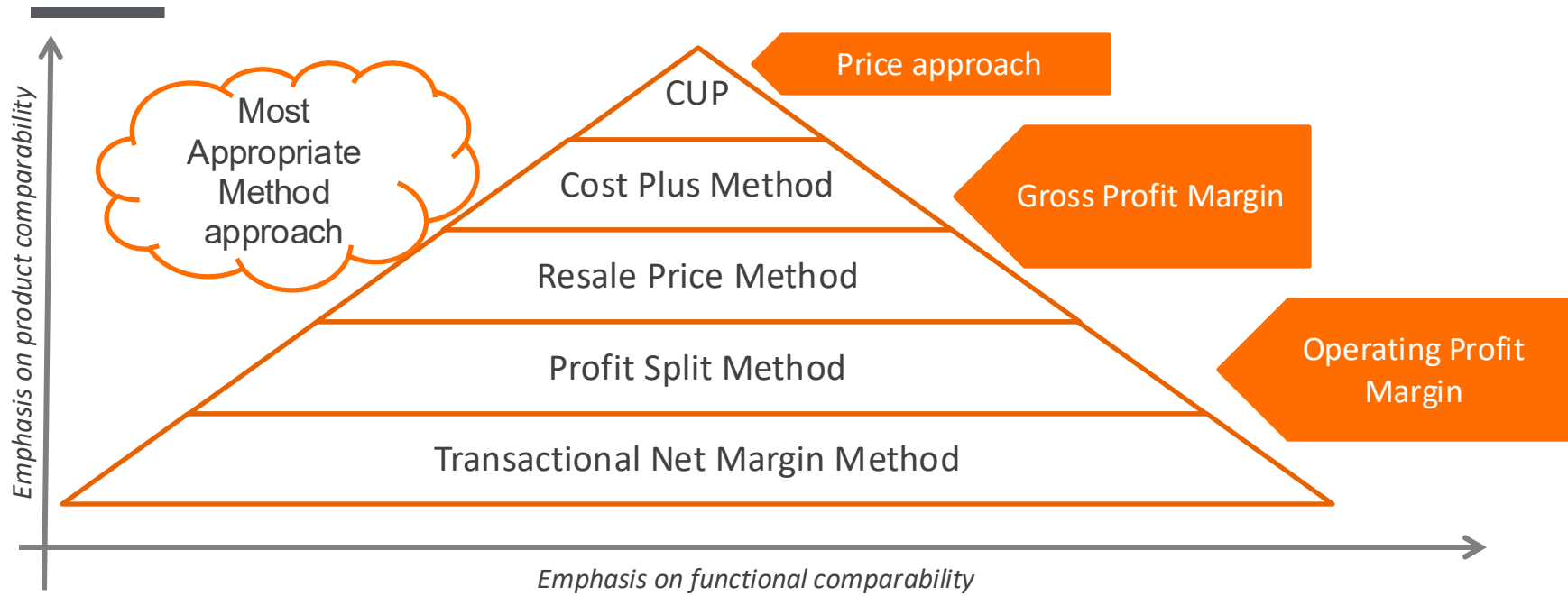
BUCKETING

TRANSFER PRICING BUSINESS MODELS

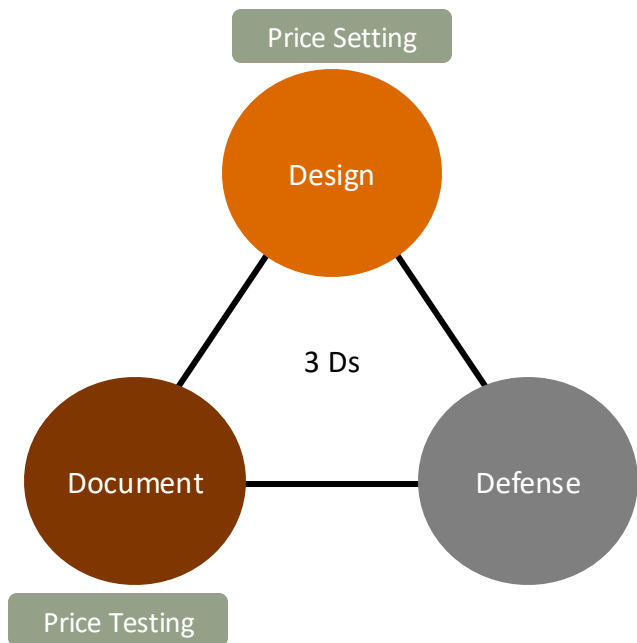
	Limited Risk	Full Fledged
Manufacturer	<ul style="list-style-type: none"> • Toll Manufacturer • Contract Manufacturer 	<ul style="list-style-type: none"> • Licensed Manufacturer • Full Fledged Manufacturer
Distributor	<ul style="list-style-type: none"> • Agent • Distribution Service Provider • Limited Risk Distributor 	<ul style="list-style-type: none"> • Licensed Distributor • Full Fledged Distributor
Service Provider	<ul style="list-style-type: none"> • Low Value-Added Services • Back Office Services 	<ul style="list-style-type: none"> • High Value-added and Core services • Significant intangibles

COMPARABILITY ANALYSIS

HIERARCHY OF TP METHODS



TRANSFER PRICING PLAYGROUND (3 D's)



Design

A blueprint of global or local transfer pricing operations that results in price setting mechanism



Document

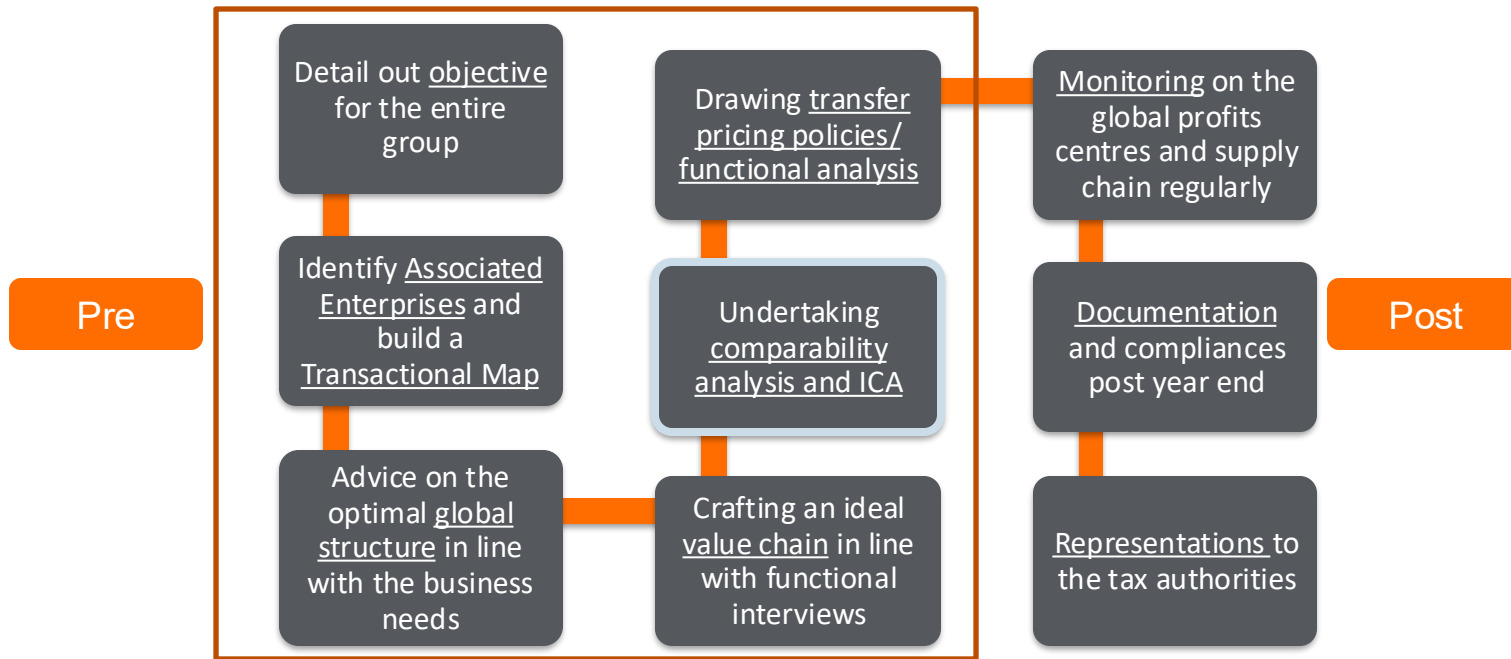
Testing the arm's length price to prove the ALP nature of the transaction



Defense

Effective proactive and responsive dispute resolution mechanism

IDEAL JOURNEY OF TRANSFER PRICING



IMPORTANT TRANSACTIONS TO WATCH OUT

Intra-group financing

Outstanding
Receivables

Corporate Guarantees

Indenting and Sourcing
outlets – Commission
based models

Royalties – DEMPE and
Intangibles

R&D Development
centre

Marketing services and
intangibles

Cost Contribution
Agreements

Management Cross
Charge – Intra-group
services

Back office services

Contract
Manufacturing and Toll
Manufacturing

Distribution and
trading entities



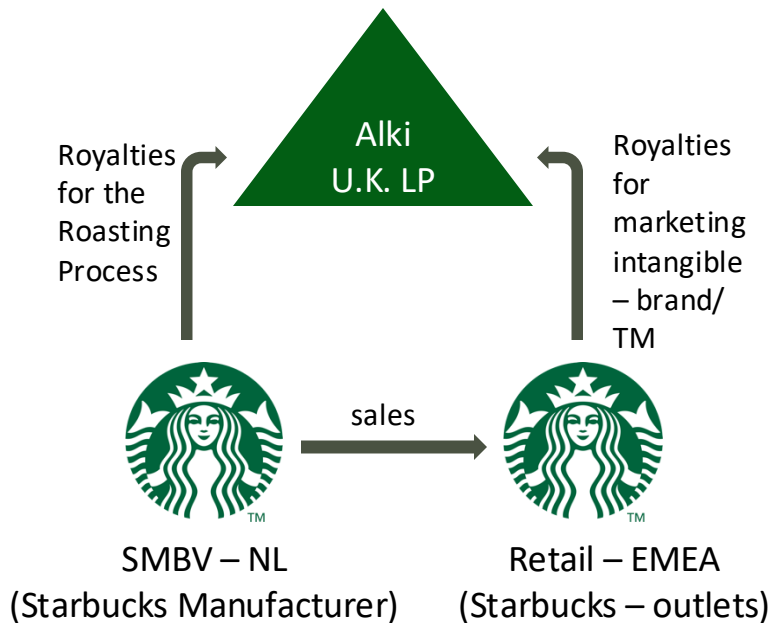
Starbucks (Netherlands)

State Aid from an
APA?

EU says maybe

CASE # 1

STARBUCKS STATE AID



- APA concluded with Dutch authorities determining SMBV's remuneration for its production and distribution activities – Approx 9% of costs
- Differential royalties (OP) – ALP = Royalties
- Endorsed royalties paid to Alki UK
- EC considered APA to be advantageous and slapped with a tax of Euro 30 million
- EC claims the ruling artificially lowered SMBV's tax base

LESSONS LEARNT

WHEN APA GETS TOO COZY

✗ What Went Wrong

APA ignored DEMPE

Royalty to shell entity

No documentation on functions of Alki

EC reclassified APA as State Aid

✓ Key Learnings

Substance is king—even for IP

Legal ownership ≠ functional control

Document DEMPE in detail, not just legal title

APAs must follow domestic **and** EU frameworks



Low tax in NL, no substance in UK = Perfect roast for scrutiny

Coca-Cola (USA)

The historic cost-sharing arrangement that lost its Fizz



CASE # 2

COCA COLA – HISTORY REPEATS

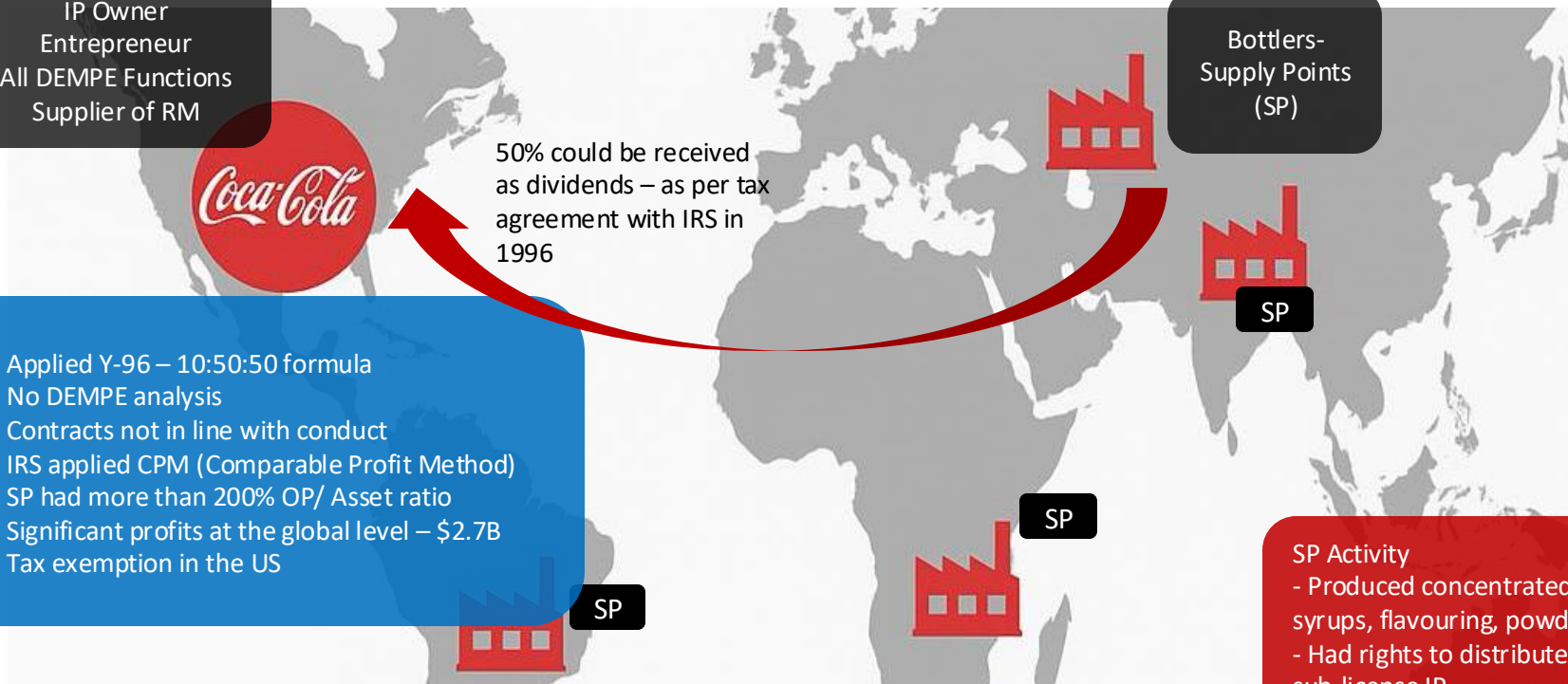
IP Owner
Entrepreneur
All DEMPE Functions
Supplier of RM

Bottlers-
Supply Points
(SP)

50% could be received
as dividends – as per tax
agreement with IRS in
1996

- Applied Y-96 – 10:50:50 formula
- No DEMPE analysis
- Contracts not in line with conduct
- IRS applied CPM (Comparable Profit Method)
- SP had more than 200% OP/ Asset ratio
- Significant profits at the global level – \$2.7B
- Tax exemption in the US

SP Activity
- Produced concentrated
syrops, flavouring, powder
- Had rights to distribute and
sub-license IP



LESSONS LEARNT

WHEN COKE FIZZED OUT



✗ What Went Wrong

Coke relied on outdated 1996 formula

CPM (TNMM) rejected bottlers as entrepreneurial

Bottlers kept residual profit without DEMPE

IRS reallocated \$2.7B to U.S. parent

✓ Key Learnings

Contemporaneous documentation

Method must match facts—don't force legacy formulas

Residual profits need active IP development & control

Regular reviews ensure pricing reflects value creation—contracts to match conduct

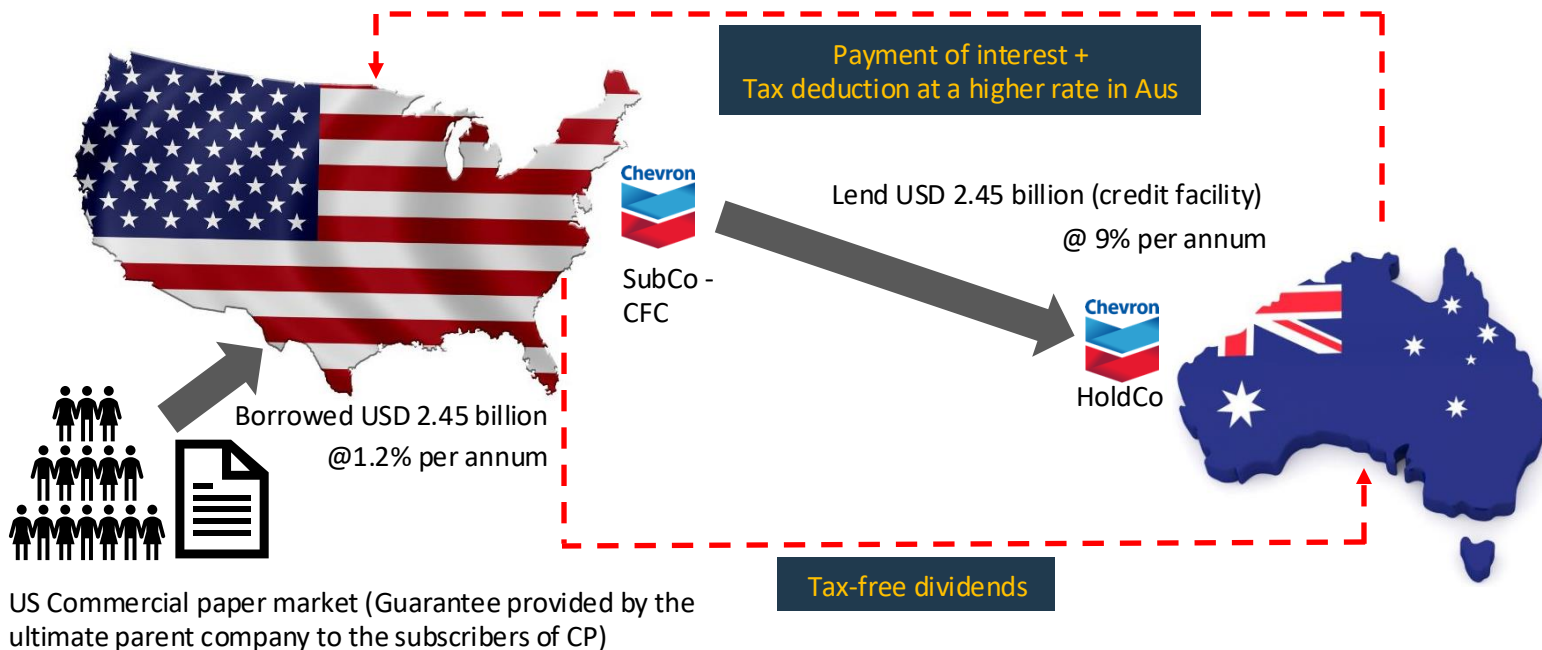
Chevron Holdings (Australia)

Form vs Substance in Financing



CASE # 3

CHEVRON CORPORATION – WHEN FINANCIAL STRUCTURE RUNS OUT OF GAS





LESSONS LEARNT

HIGH ON INTEREST - LOW ON SUBSTANCE

✗ What Went Wrong

Loan structure lacked commercial substance (no security/covenants)

Large interest rate arbitrage (1.2% vs 8.9%) with no justification

Ignored implicit parental support (Chevron Corp backing ignored)

Court upheld major adjustments—large Australian tax liability

✓ Key Learnings

Substance matters—financial terms must mirror market practice

Intra-group loans must be benchmarked carefully against comparable third-party arrangements

Implicit support is a critical factor—related-party financing rates must consider overall group creditworthiness

Arm's-length principle will prevail over formal agreements; form alone is insufficient



GE Capital (Canada)

To Guarantee or not
to Guarantee

CASE # 4


GE CAPITAL – GUARANTEE IN SPOTLIGHT



GE Capital Canada Inc - Canada

- Issues Debt instruments
- Rating BBB+
- Higher interest payouts

Guarantee
commission @ 1%




GE Electric Company Inc - US

- Parent Company
- Rating AAA
- Provided legally enforceable explicit corporate guarantee

The CRA argued that due to the subsidiary's close association with its reputable AAA-rated parent, the market inherently expected implicit parental support, and thus, GE Capital Canada would have benefited from favorable borrowing rates even without a formal guarantee. Explicit guarantee was either unnecessary or significantly overpriced.

LESSONS LEARNT

GUARANTEE – NOTHING IMPLICIT ABOUT IT



What Went Wrong

CRA rejected guarantee fee assuming full implicit support

Ignored market benchmarks supporting 1% fee

Assumed implicit support negated explicit guarantee

Legal battles, uncertainty & litigation costs

Key Learnings

Explicit and implicit support must be clearly distinguished and valued separately

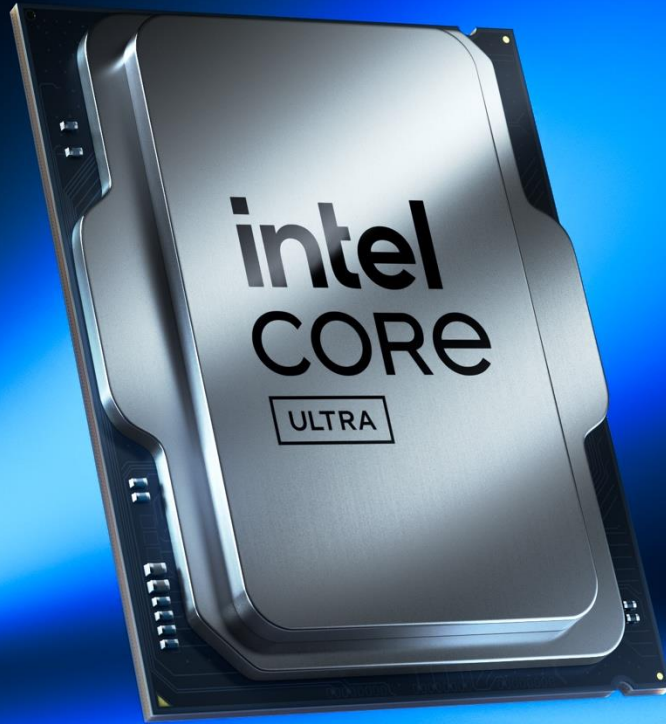
Reliable benchmarks and third-party evidence strengthen transfer pricing positions

Implicit support reduces—but rarely eliminates—the value of explicit guarantees

Clear documentation of financial rationale saves costs & prevents tax disputes

Altera Inc (USA)

Stock-Based
Compensation



CASE # 5

ALTERA INC – COST CONTRIBUTION GONE WRONG



The Players

Altera U.S. & Cayman Islands entered into CCA



R&D Collaboration

Shared R&D activities to develop IP



The Cost Debate

Excluded Stock-Based Compensation from costs



IRS Challenge

IRS demanded SBC inclusion per regulations



Court Battle

Tax Court sided with Altera; Ninth Circuit reversed



Final Verdict

Supreme Court declined review; SBC inclusion mandatory

LESSONS LEARNT

SBC = VALID EMPLOYEE EXPENDITURE



✗ What Went Wrong

Excluded SBC without supporting comparables

Should include every cost in the CSA

Initial victory overturned—lost at appeals court

Protracted litigation with significant costs

✓ Key Learnings

SBC is economically relevant—include it explicitly in CSA

CAS is an operating expenditure – something that is in lieu of salary

Regulatory authority can redefine arm's-length standard interpretations

Proactive compliance with current TP regulations avoids costly disputes

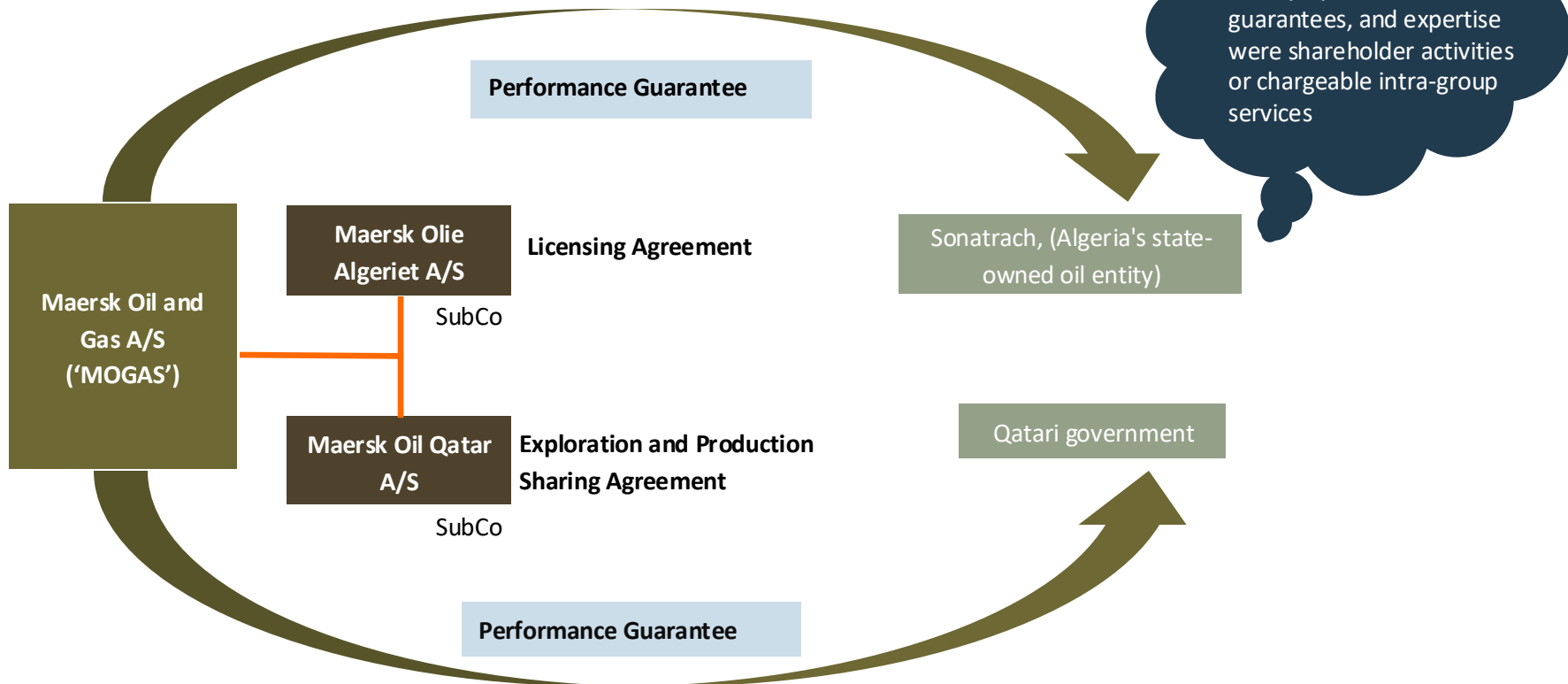
A.P. Moller Group (Maersk - Denmark)

Intra group Services



CASE # 6

MAERSK – INTRA GROUP SERVICES



LESSONS LEARNT

UNBILLED SUPPORT BECAME TP ISSUE



✗ What Went Wrong

MOGAS provided valuable preliminary surveys, performance guarantees, and technical expertise without compensation

Failed to demonstrate that activities were purely shareholder functions

No proper documentation separating group synergies from individual services

Technical and administrative support time-written at cost, without applying a markup

Exposed to discretionary adjustment and recharacterisation

✓ Key Learnings

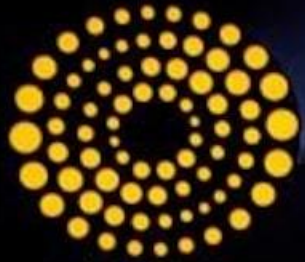
Clear distinction is needed between **shareholder activities** (non-chargeable) and **services benefiting subsidiaries** (chargeable)

If services create direct economic benefit for subsidiaries, they must be priced at arm's length

Group synergies are not automatically chargeable — only incremental benefits to specific subsidiaries are compensable

Duplicate services must be avoided — only **additional**, non-duplicative services justify intercompany charges

Robust documentation is essential to differentiate legitimate shareholder activities vs. intercompany services



the answer company

THOMSON REUTERS

Thomson Reuters (U.K)

Advance Pricing Agreements and Diverted Profit Taxes

CASE # 7

THOMSON REUTERS – APA AND DPT

Diverted profit tax applies to:

- Artificial avoidance of PE
- Profit mismatch arrangement



- APA Covering 2008-14
- Cost + 6% to 15%
- Change in regime in 2015 – DPT
- Recharacterization - DEMPE



- APA is temporary and time-bound
- The annual nature of corporate tax
- DPT is a separate framework
- Focus on DEMPE
- Reliance on expired agreement
- GAAR



LESSONS LEARNT

FROM APA COMFORT TP DPT LESSONS

✗ What Went Wrong

Relied on an expired APA beyond its binding term

Failed to recognise shifting business models and substance (UK entities moved beyond pure cost-plus)

Continued treating UK entities as routine service providers despite active involvement in IP management (DEMPE)

Ignored the relevance of DPT as an independent anti-avoidance regime challenging economic substance

Depended on outdated TNMM markup without re-testing the commercial realities post-restructuring

✓ Key Learnings

APAs are time-bound; regular reassessment is essential after expiry

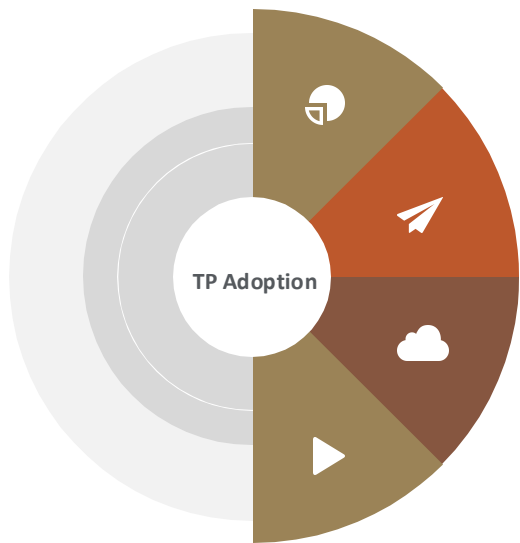
Accurate and **current characterisation** of entities is critical — entity roles must be aligned to economic activities








If cost-plus entities evolve into creators, managers, or enhancers of IP, their remuneration must reflect **residual or entrepreneurial returns**

Anti-avoidance rules like DPT require **fresh economic substance evaluation**, not reliance on old TP methods

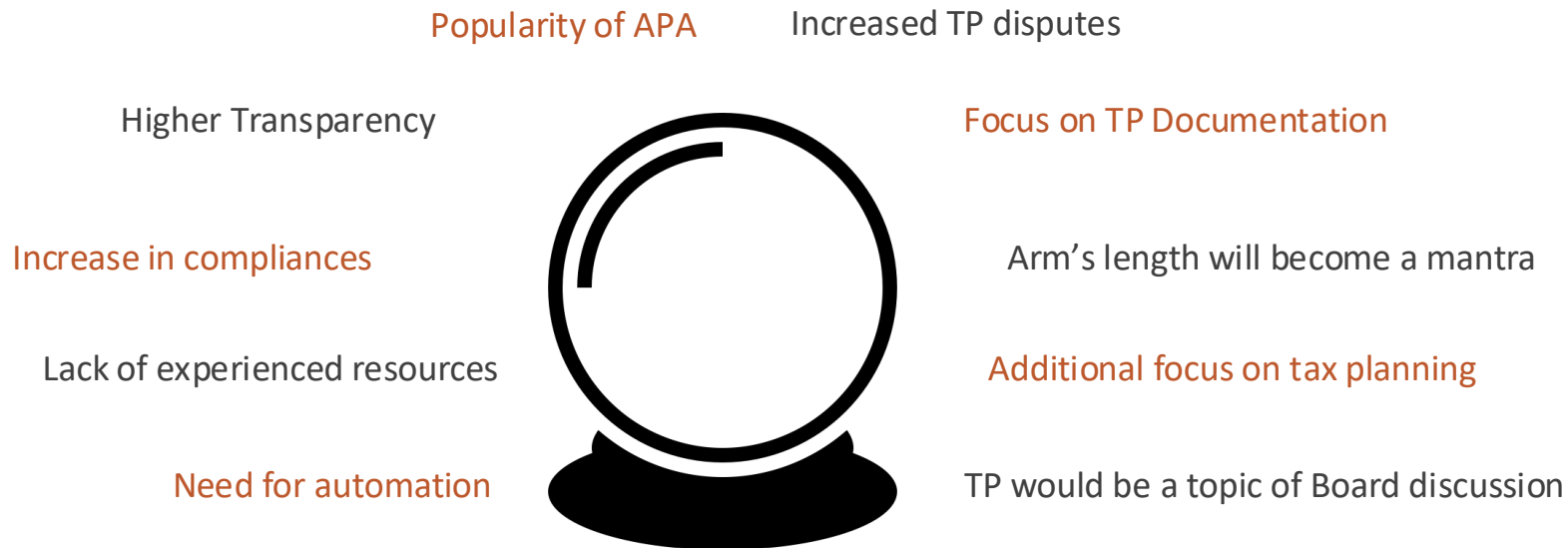
Constant revalidation of transfer pricing methods is needed — methods must evolve with functional and risk profiles

PRACTICAL STEPS TP ADOPTION



-  Align transfer pricing policies with business strategies
-  Engage key stakeholders
-  Identify AEs and prepare Transaction Map
-  Identify areas to optimise and possible tax leakages
-  Select the most relevant transfer pricing method
-  Manage risks, ensure compliances, review policies regularly
-  Take proper guidance, appoint internal and external resources

CRYSTAL BALL OF TRANSFER PRICING



KEY TAKEAWAYS

TRANSFER PRICING

1. Planning and Compliance are crucial
2. Robust documentation
3. Effective and smart comparability analysis
4. Proactive defense – Advance pricing agreements
5. Capacity building and training
6. Technology is the future
7. Monitor legislative change
8. Make a transfer pricing friend
9. Risk management
10. Be prepared for TP audits





TRANSPRICE
TAX ADVISORS

TransPrice GDT Tax Advisors LLC

Contact Number : +971 (4) 3243443

Email: info@transpricetax.com

Know more: www.transpricetax.com