



How to widen 'amount B' definition under a consensus model – a road to Transfer Pricing simplification?

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How to expand 'amount B' to other activities?



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- How Pillar I moves towards sectorial 'safe harbors';
- Safe harbor definitions;
- A safe harbor for i/c services (Amount B)*;
- A safe harbor for sales and marketing (Amount B);
- A safe harbor for manufacturing (Amount B);

*definition of Amount B equals a fixed return for defined baseline activity.

How to expand 'amount B' to other activities?

The Brazilian approach: predetermined margins

PRL	CPL	CAP	PVA	PVV
20% (general rule) 30% 40%	20%	15%	15%	30%

How to expand 'amount B' to other activities?



CALL FOR INPUT ON TRANSFER PRICING ISSUES RELATED TO THE DESIGN OF THE SAFE-HARBOUR PROVISIONS AND OTHER COMPARABILITY CONSIDERATIONS (2020)

“A **safe harbour** in a transfer pricing regime is a provision that applies to a defined category of taxpayers or transactions and that relieves eligible taxpayers from certain obligations otherwise imposed by a country’s general transfer pricing rules (...) Such measures should be adopted (...) with the objective (...) to provide **greater certainty** for cases involving **smaller taxpayers or less complex transactions**”

Should we limit safe harbours to less complex situations?



Need to keep the Brazilian traditional approach (broad applicability), **enhancing...**

Capillarity and reliability of margins

Rebuttability

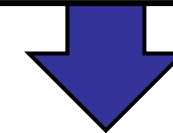
How to expand 'amount B' to other activities?

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"An **APA** is an arrangement that determines, in advance of controlled transactions, an appropriate set of criteria (...) for the determination of the transfer pricing for those transactions over a fixed period of time. Similar policy objectives as those pursued by safe harbours could be achieved for those **more complex and higher-risk** transfer pricing matters through APAs".

APAs to more complex and high-risk situations



Sectorial APA?

How to expand 'amount B' to other activities?

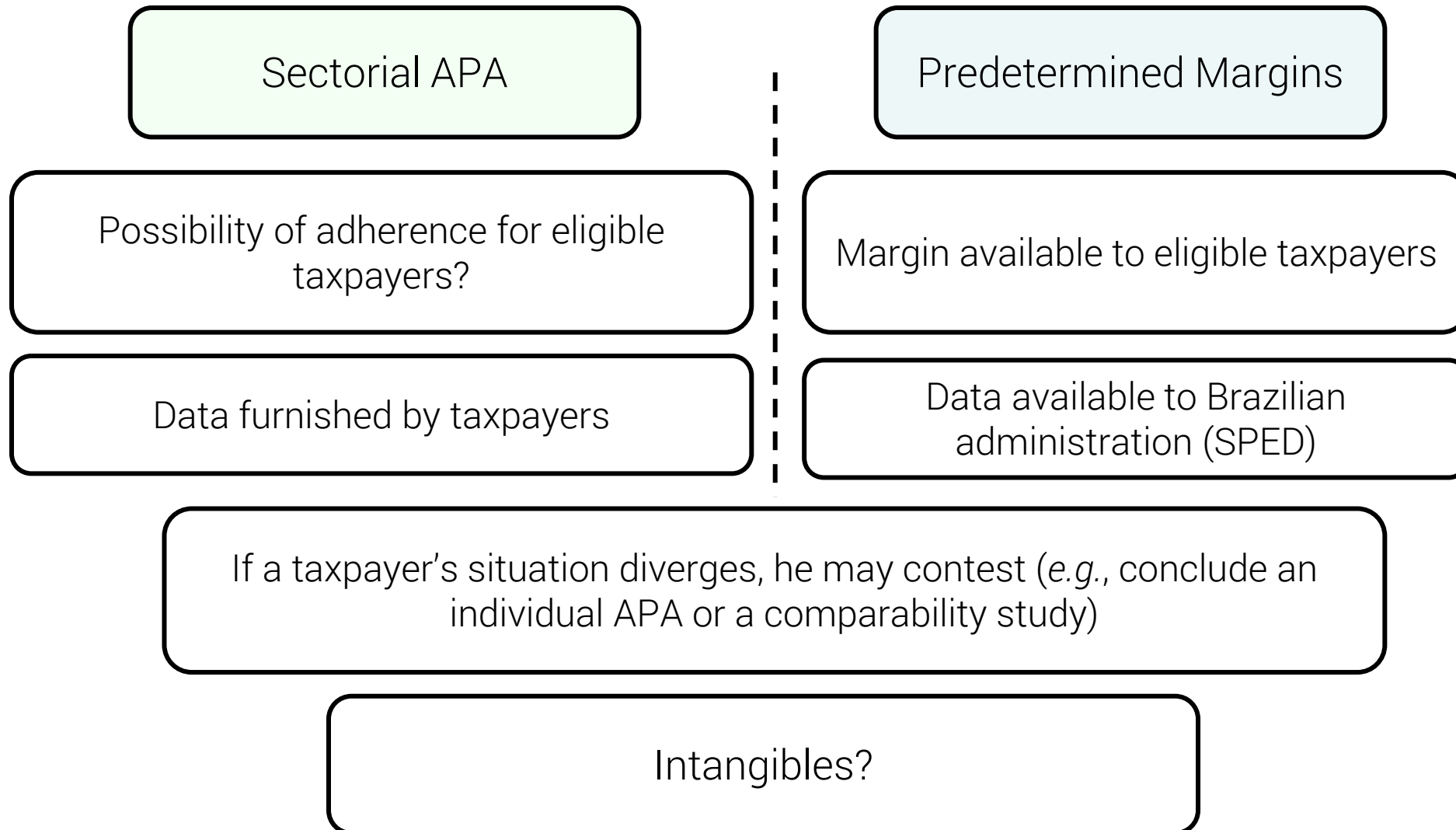
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“a framework for APAs can be designed to facilitate the smooth conclusion of APAs for a given sector/industry or specific types of more complex transactions”

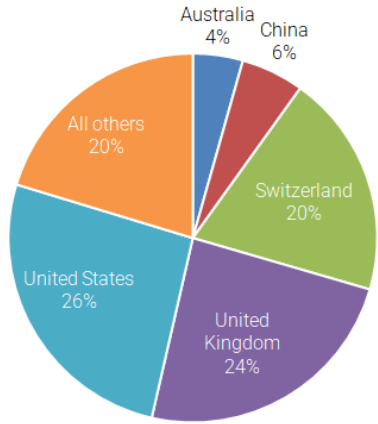
What is the difference between a sectorial APA and the predetermined margins?

How to expand 'amount B' to other activities?

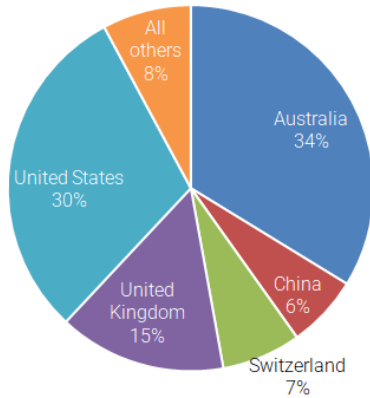


How to slice the 'residual profit' ?

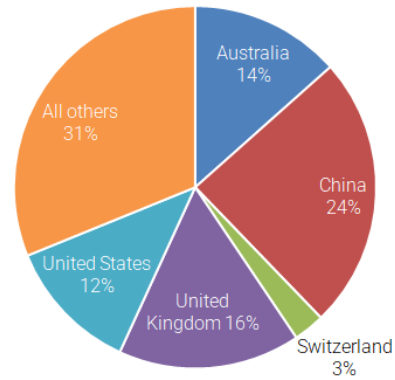
People



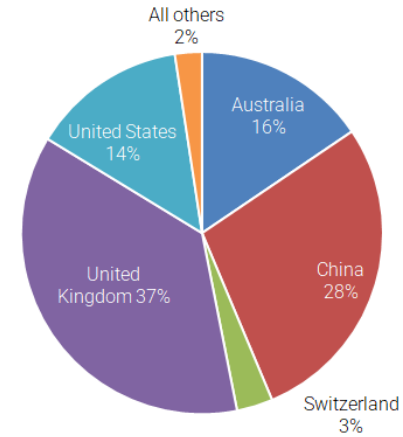
Sales / Volume



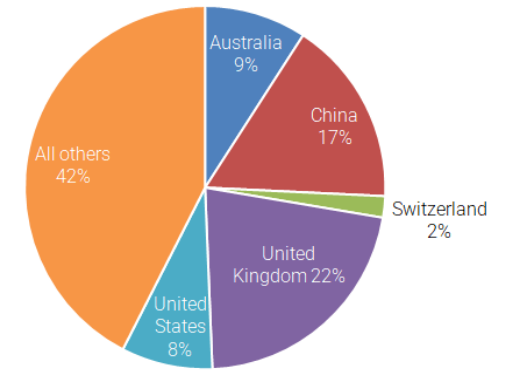
Assets



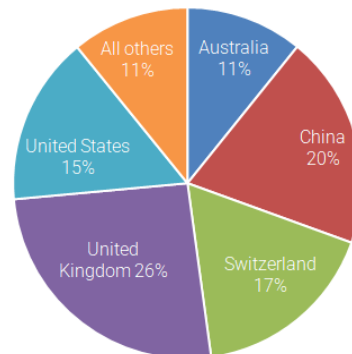
Costs



Other factors



Combined approach



Scenario 1: People weighing x 2, rest x 1

Scenario 2: Sales weighing x 2, rest x 1

Scenario 3: Assets weighing x 2, rest x 1

Scenario 4: R&D costs (CCA) weighing x 2, rest x 1

Scenario 5: Industry specific weighing

How easy to implement under current international tax rules and regulations?



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- How easy is it to integrate with MLI 2?
- How to resolve disputes if governments select different scenarios?
- What accounting rules to use?
- Does this create a bias in favor of developed countries?
- Is this approach fair and attractive to a.) corporates and b.) inclusive members?

How easy to implement under current international tax rules and regulations?



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"La raison du plus fort est toujours la meilleure" (La Fontaine)



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