

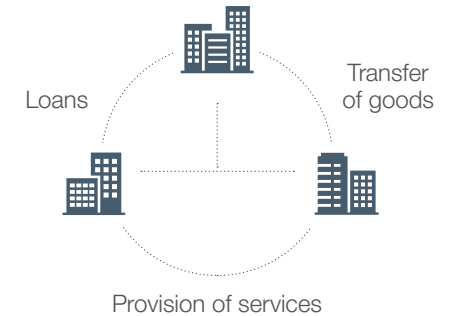
State aid and transfer pricing

What is transfer pricing?

Pricing of cross-border intra-group transactions (transfer of goods, provision of services, loans...)

- Similar characteristics and pricing for intra-group and unrelated parties transactions: **arm's length principle**
- Make sure that there is no shift of profits abroad and that profits are taxed where the value is created

Documentation: Transfer pricing analysis to justify the arm's length character of an intra-group transaction towards tax authorities

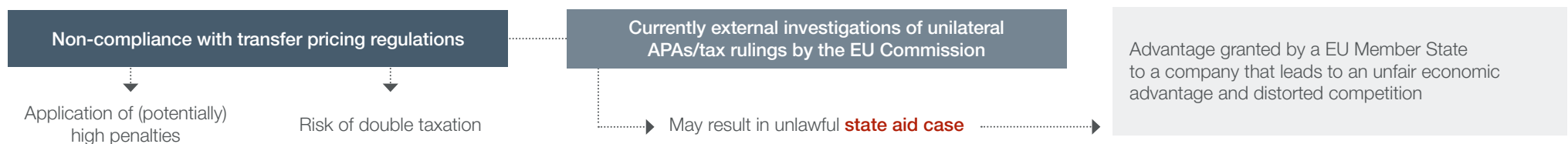


What are the best practices for transfer pricing analysis?

The OECD provides non-binding guidelines and additional guidance may come from local regulations – No harmonisation at EU level

1 Analyse	2 Analyse	3 Verify	4 Interpret and use data	5 Secure (Optional)
Taxpayer's broader environment Industry, value drivers, competitors, economic and regulatory environment ...	Taxpayer's assets, functions and risks	If any available internal comparables Yes: Review existing internal comparables No: Select the most appropriate transfer pricing method Determine the relevant financial indicator and identify external comparables	Collected to determine an arm's length range of pricing	Intra-group transaction by an advance pricing agreement (APA) Unilateral Granted by one tax authority only Bilateral/Multilateral Granted by two or several tax authorities

What are the major issues ?



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