

# *ICAZ WINTER SCHOOL*

Technical Update – Transfer Pricing

15 July 2016

# *Agenda*

*1. Transfer pricing in a nutshell*

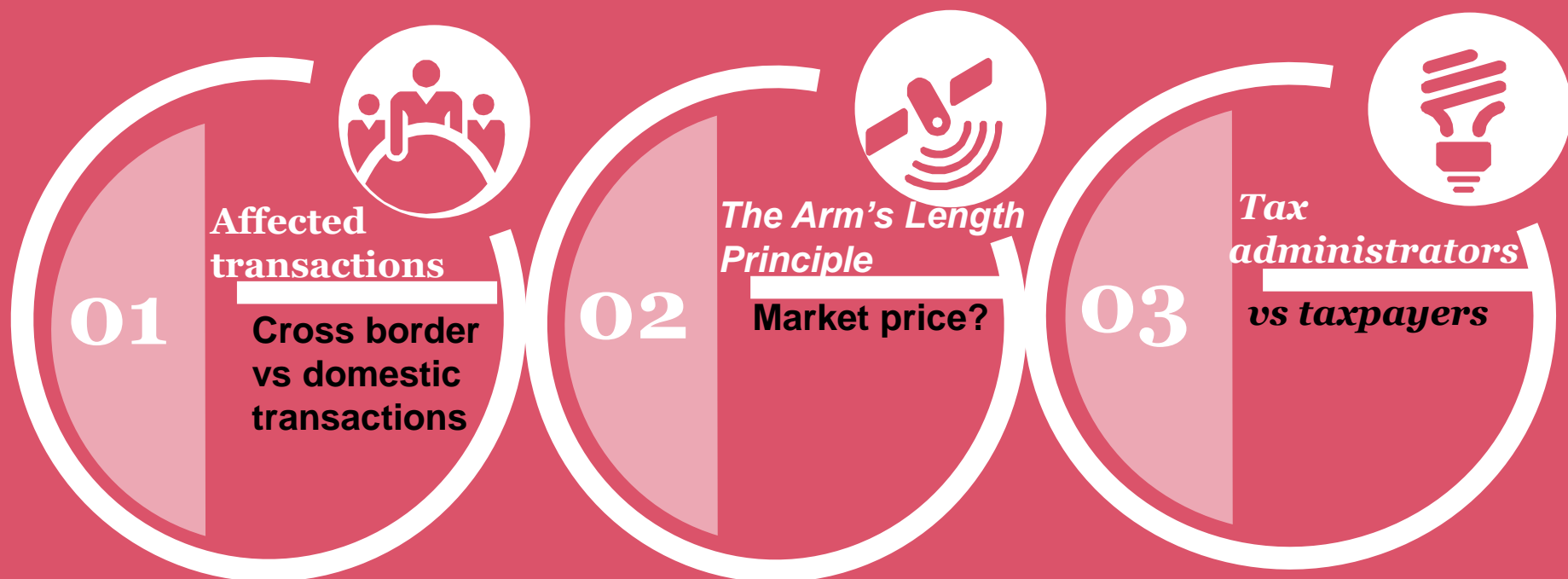
*2. TP legislation*

*3. Typical TP transactions*

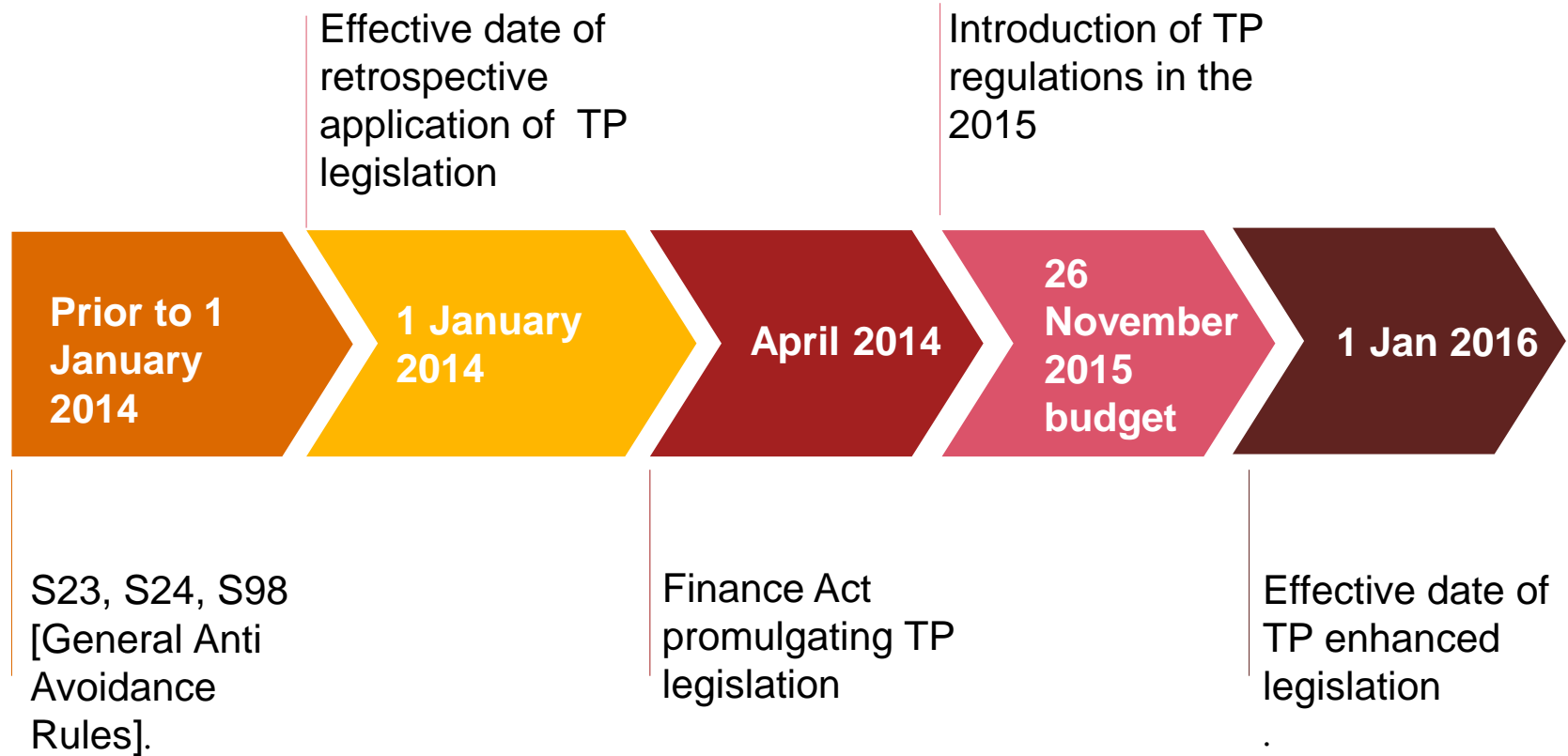
*4. Practical examples*

*5. Global developments in transfer pricing*

# *Transfer pricing in a nutshell*



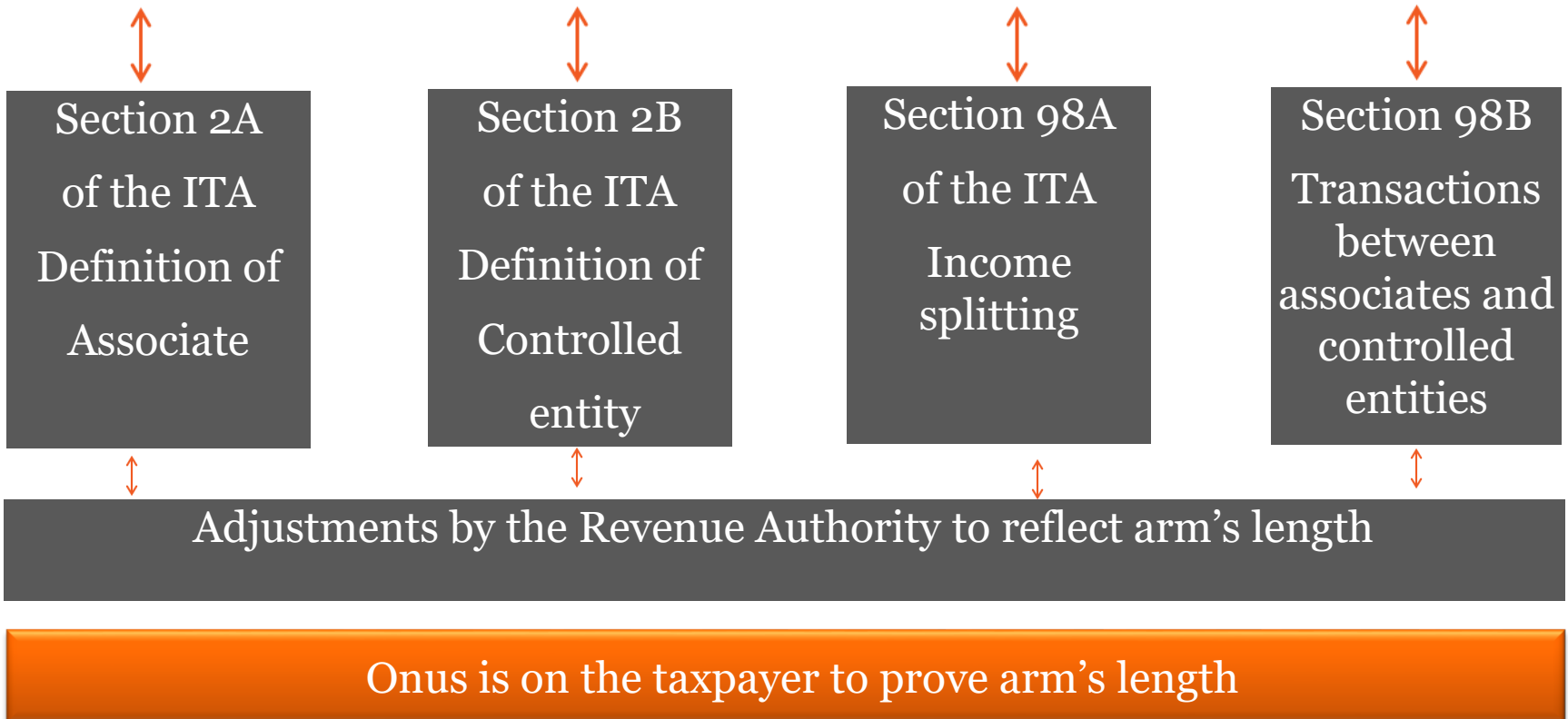
# *The TP journey so far....*



# Transfer pricing legislation

THE ARMS LENGTH PRINCIPLE (ALP)

Guidelines/Regulations?



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## *Key elements of the enhanced legislation S 98B & Thirty –fifth schedule*

- Definition of controlled and comparable transactions
- Transfer pricing methods
- Sources of information
  - Internal vs external comparables
  - Geographic markets
- Arm's length range
- Intangible property transactions
- Corresponding adjustments - domestic and international transactions
- OECD Guidelines vs UN Guidelines
- “Secret comparables”
- Documentation requirements

# Typical TP transactions

**01**

**Management fees**

**Technical fees**

**02**

**Shared services**

**-Internal audit**

**-HR**

**-Strategic services**

**03**

**Transfer of assets**

**Leasing arrangements**

**04**

**Royalties**

**Right of use of intangibles**

**05**

**Financing arrangements**

**-Interest free loans**

**-Back to back loans**

**-Guarantee fees**

# Practical examples

**1**

*Excessive management fees paid to a related party?*

Service provided?  
Economic or commercial value? AL

**2**

*Overstatement of cost of product purchased from a related party?*

How was the price for the product determined?

**3**

*Cost recharges for services supplied to a related party*

Recharging costs without applying a mark-up?

**4**

*Group shared services*

The following services were provided for no fee – IA, IT & HR

**5**

*Continued assessed losses – primarily from related party transactions*

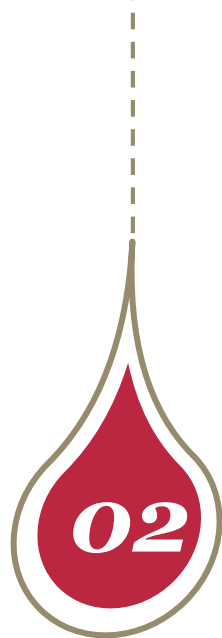
Head office in Zimbabwe making continuous AL?



# Key takeaways



*Stay ahead of  
ZIMRA, be  
prepared.*



*TP Risk  
Reviews -  
Assess the  
level of TP risk.*



*TP  
Documentation  
(Statutory  
requirement)*

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# ***Base Erosion Profit Shifting***

# ***BEPS: How does it impact the tax payer?***



Provides the tax payer with a tax planning opportunity to align profits with value creation within the group.



Raises awareness of the implications of transacting on digital platforms.



Assists the tax payer to view the business on a global basis taking into consideration where value creation occurs.



Reduces the occurrence of double taxation as areas of value creation are clearly defined.



Helps tax payer to keep compliant with the tax requirements in territories they operate in.

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## ***New developments relevant to Zimbabwe***

### ***BEPS action points with common application in Zimbabwe:***

- ❑ Action 1; Addressing tax challenges of the digital economy.
- ❑ Action 8-10; Aligning transfer pricing outcomes with value creation:
  - Commodity transactions
  - Intangibles
  - Low value adding intra-group services
  - Cost contribution arrangements
- ❑ Action 13; Transfer pricing documentation and country by country reporting.

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# Questions

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