

# Transfer Pricing in the Crisis – available options

Global Transfer Pricing Services



As your business identifies risks and actions based on scenario planning, important transfer pricing questions need to be addressed. A lot of transfer pricing systems rely on granting so-called routine companies, i.e. those with benchmarkable / lower risk profiles, such as contract manufacturers and distribution companies, a specified target operating margin. Which options exist in the crisis to avoid or limit profits together with the related tax payments in these companies?



Are you currently thinking about the following questions?

## Transfer pricing system

- Do you have companies in your group which are remunerated on a cost plus or target margin basis?
- Are you confronted with a business decline in these value chains, which make you wonder whether you have to grant profits to these companies even if there are overall losses in the value chain?
- Does your current transfer pricing system lead to tax payments in individual entities or jurisdictions, although you are experiencing an overall loss?
- Do you have existing or forthcoming Advance Pricing Agreements / rulings with critical assumptions that may change?

## Setting of transfer prices

- Are you looking for ways how to adjust transfer prices towards your routine companies in a way to avoid “artificial” profits in these entities?
- Do you consider changing transfer prices for other transactions, such as a relief from royalties for certain group companies, etc.?

## Transfer price documentation

- Has your documentation in the past relied on benchmarking analyses specifying an arm’s length margin, which during the crisis cannot be met?
- Are you looking for ways to defend an adjustment of transfer prices during the crisis which limits the cash impact caused by tax payments on profits in individual companies?



## Adjustments of transfer pricing systems are often possible!

We can support you in analyzing your transfer pricing system to identify possibilities to limit cash drains through the taxation of artificial profits in individual companies.

### Adjustment of target margins

Adjustments to existing target margins are often possible and defensible during extraordinary crisis times.

### Introduction of royalty holidays

Where required, the temporary suspension of royalty payments may also be possible.

### Documentation and defense

Adjustments of established profit margins or payment streams may be scrutinized by auditors and tax authorities – a thorough documentation is a must.

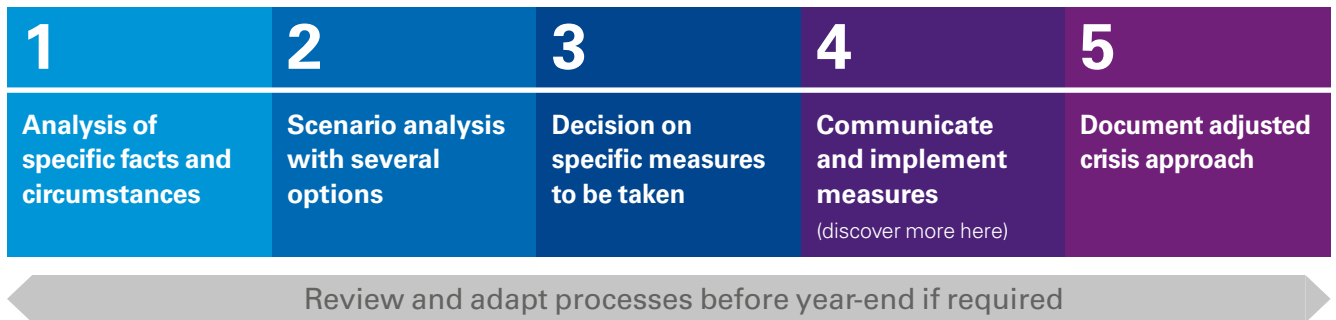
### Make it operationally happen!

Adjusted target margins must be implemented operationally – often a challenge in times of uncertainty.



## Your structured approach for the transfer pricing angle of the crisis

Five steps will get you from ad-hoc decisions based on gut feeling to a clearly defined approach based on financial analysis, which balances risks and benefits for your group.



## Your benefits

- ✓ Reduction of tax payments for “artificial” profits
- ✓ Brings the profit attribution in line with the current reality in 2020
- ✓ Provides you with the basis for defending your adjustments vis-à-vis tax authorities
- ✓ Fighting the effects of the current crisis with robust transfer pricing analysis

### Contacts

#### KPMG AG

Räffelstrasse 28  
PO Box  
8036 Zurich

[kpmg.ch](http://kpmg.ch)

#### Gerhard Foth

Director  
Tax & Legal/Transfer Pricing

+41 58 249 34 82  
[gerhardfoth@kpmg.com](mailto:gerhardfoth@kpmg.com)

#### Olivia Gedge

Director  
Tax & Legal/Transfer Pricing

+41 58 249 38 21  
[ogedge@kpmg.com](mailto:ogedge@kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received, or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The scope of any potential collaboration with audit clients is defined by regulatory requirements governing auditor independence. If you would like to know more about how KPMG AG processes personal data, please read our Privacy Policy, which you can find on our homepage at [www.kpmg.ch](http://www.kpmg.ch).

© 2020 KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss legal entity. All rights reserved.