

Tax Intelligence Solution

China Transfer Pricing ready

July 2017



What are the challenges with Transfer Pricing?

In order to comply with **transfer pricing policies** multinational corporations are required to manage operational margins on products, understand their supply chains and intercompany transactions, which entities are generating profits and their effective tax rates compared with the statutory tax rate.

For many corporations, obtaining **access to their data** is a manual and time consuming process. Furthermore internationally operating companies are having to prepare their transfer pricing documentation to comply with the OECD's recommendations in **BEPS Action 13**.

For many companies this means significant changes to their current transfer pricing policies and documentation.

Due to the increased focus on and requests for quantitative information and the requirement to reconcile the transfer pricing policies with the financial accounts, it is essential to obtain accurate and reliable data from your company's systems. For many companies this is a time-consuming and complex process. In order to streamline this process, KPMG has developed a **Transfer Pricing module** for **Tax Intelligence Solution (TIS)**.

How KPMG's Tax Intelligence Solution (TIS) can help?

KPMG has developed the China ready version of the **Tax Intelligence Solution (TIS) for Transfer Pricing** which assists to extract the data required to prepare Transfer Pricing documentation and provide valuable insights into the **global supply chain** and **operational margin analysis**.

TIS provides a factual overview of **external and intercompany transactions** and financial data that serves as input for BEPS Action 13 document requirements (Master file, local file and Country-by-Country Reporting).

Using KPMG's Tax Intelligence Solution to assist with the **preparation of Transfer Pricing documentation** saves the time required to collate information as a lot of the data can automatically be obtained from the companies Enterprise Resource Planning (ERP) system.

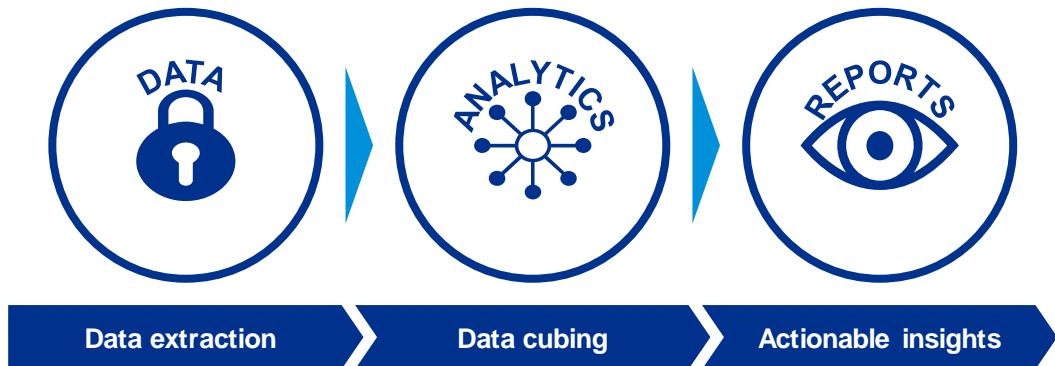
KPMG's Tax Intelligence Solution can also assist companies with **day-to-day Transfer Pricing management** by monitoring transfer pricing policies through-out the year for example: ensuring that margins are within the required range and the global supply chain is efficient, thereby reducing the need for end of year adjustments.

Key features of TIS for Transfer Pricing

- **What are the key features of KPMG's Tax Intelligence Solution for Transfer Pricing:**
 - Provides valuable insights into the **global supply chain**, by analyzing sales and intercompany transactions.
 - **BEPS 13 module** enabling data collection for **Master File / Local File** drafting, as well as for **Country-by-Country reporting**.
 - Provides **Country-by-Country analyses** of the data collected for example insights into areas of potential risk/red flags.
 - **Operational Margin Analysis:** Calculation of gross margin and net margin by legal entity, product group and SKU level.
 - **Standard exception reports** to test for anomalies in net and gross margin calculations.
- **How do you manage data security?** KPMG has developed an on-premises' solution for China, meaning that the data will never leave your premises.
- **Does it work with our ERP system?** KPMG's Tax Intelligence Solution for China has been developed using a 'common data model', meaning that the data can be extracted from most ERP systems used in China.
- **Does this mean expensive software licensing or purchase?** No – the KPMG team will use the Tax Intelligence Solution for China on your premises, and we retain ownership of our proprietary software. We work with you to analyse the data and provide you with the results of the analytics.
- **Can it work with Chinese characters?** Yes, all of our tests are shown in a user-friendly dashboard which is bilingual, and can switch easily between simplified Chinese and English.



How does it work?



By using proprietary **ERP data extraction software**, TIS is able to extract relevant tax data with minimal impact to the client IT team.

The client's ERP data is loaded into the TIS platform where the **data cubing** process takes place.

This process is running on the client IT premises. This is when the data starts to deliver value.

After the data is transformed to meaningful information it is visualized by means of the **Tax Intelligence Solution dashboards**

These dashboards give access to the **exception reports** which enables you to identify the Transfer Pricing insights

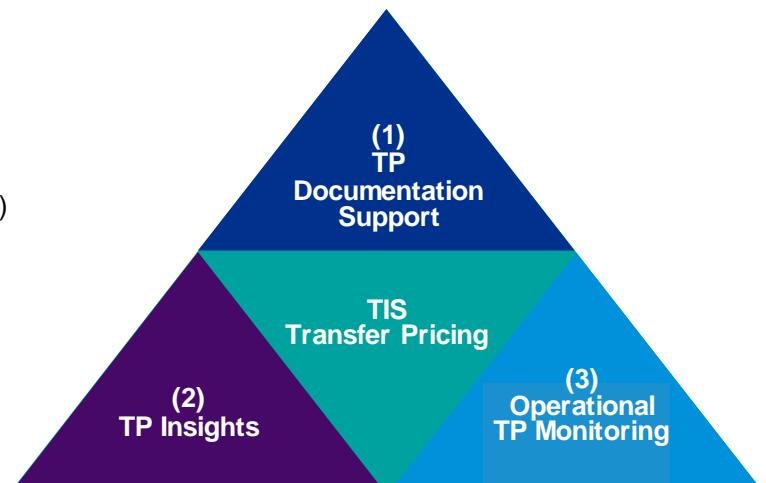
How KPMG conducts Transfer Pricing projects using TIS

KPMG China can assist companies to prepare their Transfer Pricing documentation quickly and efficiently by using KPMG's Tax Intelligence Solution for Transfer Pricing. By extracting the companies ERP data KPMG uses TIS to collect the information required to prepared BEPS Action 13 documentation – specifically, the **Local File**, **Master File** and **Country-by-Country Reporting**.

KPMG's approach can be tailored to a company's specific needs using one of 3 approaches:

- (1) TP Documentation Support
- (2) TP Insights
- (3) Operational TP Monitoring (one-off / recurring)

By using TIS we can save the company time and cost collecting the information required and preparing Transfer Pricing documentation while also **providing insights** into the company's global supply chain, operating margins and assisting with day-to-day Transfer Pricing management.



TP Documentation Support

KPMG China manages the entire documentation project and ensures that your company complies with all relevant documentation requirements. We use TIS Transfer Pricing to collect the relevant data from the ERP system to prepare the documentation and provide insights.

Operational TP Monitoring

We help you to provide a snapshot on the current gross margins and net margins by legal entity, product group and SKU level. Based on this snapshot we can advise on the required price changes. Furthermore, we can help to implement a recurring TP monitoring mechanism.

TP Insights

We use TIS for Transfer Pricing to analyze your data and provide TP insights on collected data, i.e. providing insights in the potential red flags that Country-by-Country reporting may cause to show.

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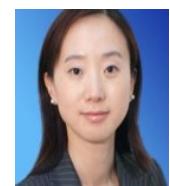
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