

Automating the transfer pricing cost segmentation and allocation process



Preparation of segmental data is generally a key requirement to assess transfer pricing/ business outcomes. However, in many organisations, existing ERPs may not be configured to prepare such customised segmental reports. Hence, segmental accounts are prepared manually on multiple Excel sheets.

Segmental data (reflecting cost segmentation mechanism, allocation keys, etc.) is also requested by tax authorities to inter alia understand:

Accuracy of the arm's length margins

Calculation of cost-plus mark-ups for invoicing purposes

Calculation of head office allocation

Challenges:

Manually preparing such segmental data poses the following challenges:

- Time consuming
- Potential for inconsistency
- Error prone
- May result in inaccurate Transfer Pricing (TP) policy implementation.

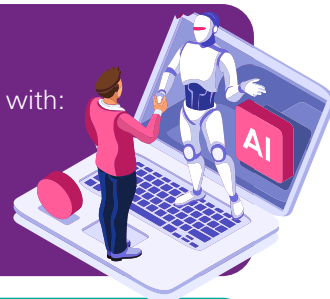
To address these challenges, KPMG in India has developed a technology enabled tool which can be customised to automate the process of segmentation and invoicing.



Our automation tool

With the KPMG Transfer Pricing Cost Segmentation Tool, we can assist organisations with:

- Automation of the segment / Inter company invoice calculation process
- Generation of segmental reports / invoices
- Creation of standard / customised analytical dashboards.



Value proposition – key potential benefits

- Significant savings in time and effort
- Consistent approach year on year basis
- Detailed and summarised reports providing a complete trail of the data
- Intuitive dashboards providing valuable insights for informed decision making.



Allocations required for



TP compliance and audits

- Related party / non related party;
- Functional profitability



HO allocations / Management cross charges



Operational transfer pricing (scenario analysis for TP policy implementation)



Advance pricing agreements



Business analysis

- Product / service wise profitability;
- SEZ / non SEZ



Accounting v/s Segments for TP

KPMG in India contacts:

Rajeev Dimri
Partner and National Head
Tax
T: +91 22 3989 6000
E: rajeevdimri@kpmg.com

Ajay Mehra
Non-Executive Chairman
Tax Markets and Strategy
T: +91 223 090 2701
E: ajaymehra@kpmg.com

Rahul Kashikar
Partner and Head
Tax Technology
T: +91 22 3090 2680
E: rahulkashikar@kpmg.com

Sandesh Mahagaokar
Partner
Tax Technology
T: +91 22 39896000
E: smahagaokar1@kpmg.com

home.kpmg/in

Follow us on:
home.kpmg/in/socialmedia



#KPMGjosh

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 endeavour 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.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

© 2022 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is for e-communication only. (029_FLY1121_RU)