



# Transfer Pricing for Asset Management

www.kpmg.lu

## Luxembourg transfer pricing legislation

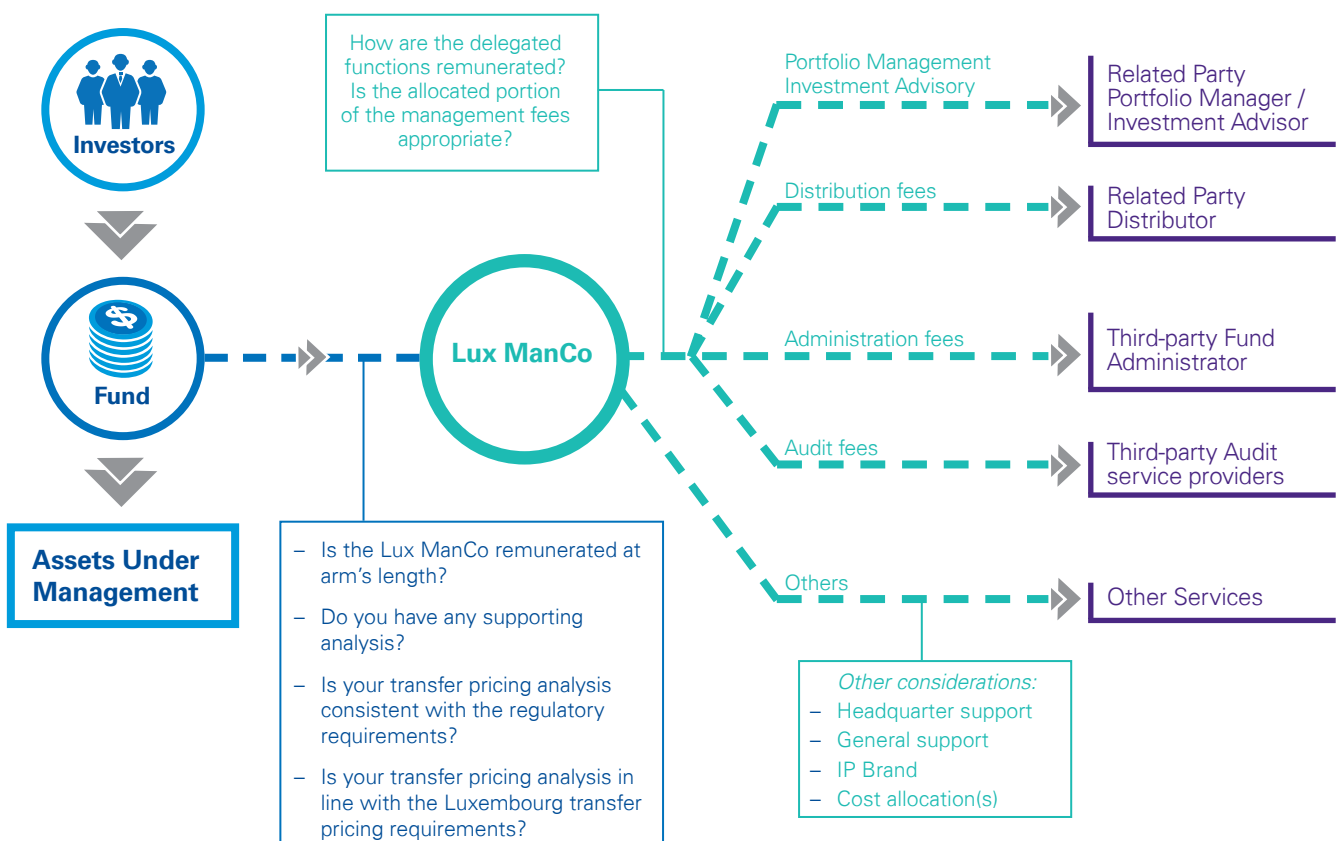
Luxembourg duly adheres to the transfer pricing guidelines of the OECD, providing the arm's-length principle as the key tenet.

The arm's-length principle and its assessment are reflected in Article 56 and Article 56bis of the Luxembourg Income Tax Law (LITL), which require all transactions between related entities to be consistent with the prices that would have been concluded between unrelated entities in comparable transactions.

Recent developments underline the increasing importance of transfer pricing in Luxembourg. The new disclosure requirement issued by the Luxembourg Tax Authorities (LTA) is specifically related to transfer pricing and is imposed on each taxpayer as from fiscal year 2017 mandating the disclosure of its engagement in any intra-group transactions in its tax return.

Since the asset management industry plays a key role in Luxembourg, the LTA are actively focused on the arm's-length nature of the different intra-group transactions.

## Typical intra-group transactions for asset management



# Transfer pricing matters for asset management

## Identification and understanding of the asset management industry's value drivers



- What are the functions contributing to the value creation within the supply chain of the asset management activities of your group?
- Which entity contributes to the value creation and generation of profit?
- Which functions are performed by Lux ManCo? Which functions are delegated?



- What is the remuneration of Lux ManCo? Is it in line with the functions performed and coherent with the Luxembourg market standards?
- Can the fees incurred in the context of the delegated activities be supported from a transfer pricing perspective?
- What is the most appropriate method for remunerating each of the abovementioned services? CUP method or mark-up based on cost method or residual profit method?
- Does each entity in the structure bear the appropriate amount of costs related to the intra-group services?
- How is the allocation of costs supported from an arm's-length perspective? Is there a policy followed?

## What brings you to transfer pricing?

### Are you read to

- Disclose your intra-group transactions through tax returns due to the new disclosure requirement applicable as from fiscal year 2017?
- Provide the relevant transfer pricing documentation when requested from the LTA?
- Support the level of profitability retained at the level of the Lux ManCo?
- Support the level of asset management fees incurred in relation to the delegated functions?

### Have you considered the following?

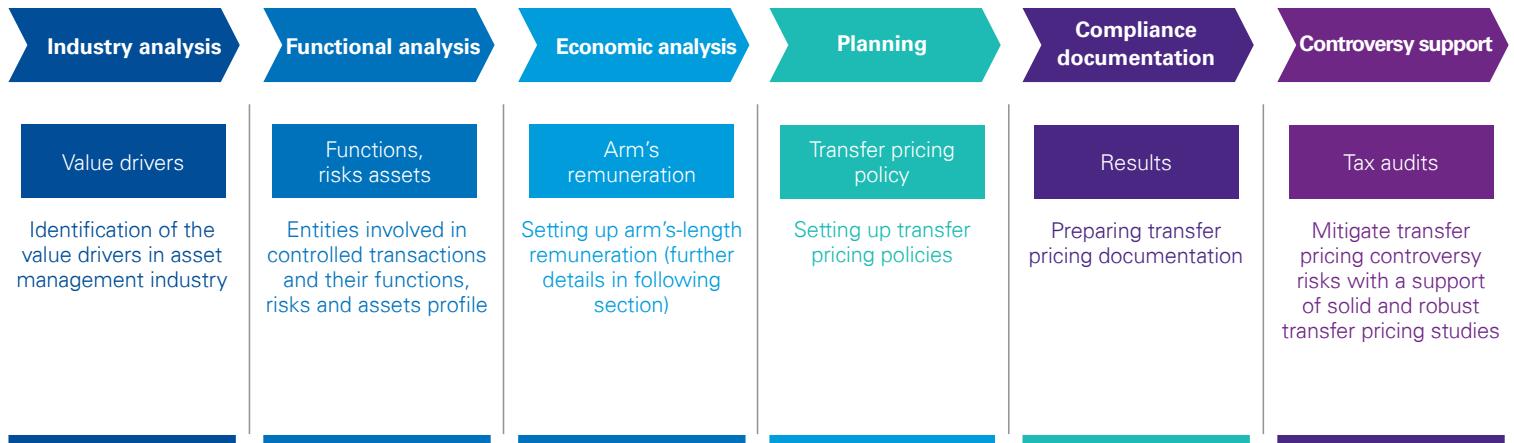
- Is your transfer pricing policy documented/is your transfer pricing documentation in line with the transfer pricing policy and does it adhere to the actual conduct of the group?
- Is your transfer pricing policy/transfer pricing documentation consistent with the regulatory framework that applies to you?
- Do you feel that you have adequate support/documentation to manage the next transfer pricing question/audit on a proactive basis?

# Our approach and how we can help you

Although transfer pricing is a complex global issue, local knowledge is essential. Without local knowledge, it is difficult to formulate a sound, commercially viable and solid transfer pricing policy. We also believe that tailoring the transfer pricing to the specific needs of Lux ManCos and other stakeholders in the asset management value chain is necessary in order to have a proper understanding of your industry and the overall regulatory environment (e.g. CSSF Circular 18/698).

In our approach that is based on a collaborative and ongoing working relationship with you, we will provide an outstanding level of transfer pricing services:

- Identification and understanding of the key value drivers that are relevant in your industry and applicable to your company
- Identification of the functional and operational footprint of your Luxembourg operations
- Rendering economic analysis to support arm’s-length level of remuneration for your Luxembourg operations
- Assisting you with regard to planning and setting up a solid transfer pricing policy
- Supporting you with regard to preparing a transfer pricing documentation in line with the OECD and Luxembourg transfer pricing requirements
- Assisting you with any tax controversies that may arise pertaining to the transfer pricing issues



## Economic analysis — what we can do for you



### Asset Management Fee split benchmark

We can assist you with:

- The determination of the arm’s-length remuneration of selected delegated functions
- Fee split benchmark based on publicly available data from comparable management companies

Results consist of separate benchmarks covering:

- Advisory/sub-advisory fees
- Fund administration fees
- Custodian fees
- Sales and marketing fees (12b-1)



### Lux ManCo remuneration

We can assist you with:

- The determination of the arm’s-length remuneration of Lux ManCo, based on tools developed internally by KPMG Luxembourg’s transfer pricing team
- Internal benchmark based on extraction and analysis of data from available prospectus of over 5,000 funds and over 18,000 sub-funds



### Supply and Value Chain Analysis

We can assist you with:

- The review of the contribution of each party involved
- The design of a transfer pricing policy/documentation to cover the entire value chain and determine the appropriate profit allocation

# Contact us



**Philippe Neefs**

**Partner – Head of Transfer Pricing**

**T:** +352 22 51 51 5531

**E:** philippe.neefs@kpmg.lu



**Pawel Wroblewski**

**Partner, Tax - Transfer Pricing**

**T:** +352 22 51 51 5640

**E:** pawel.wroblewski@kpmg.lu



**Sophie Boulanger**

**Partner, Tax - Transfer Pricing**

**T:** +352 22 51 51 5423

**E:** sophie.boulanger@kpmg.lu

KPMG Luxembourg,  
Société coopérative  
39, Avenue John F. Kennedy  
L-1855 Luxembourg  
T: +352 22 51 51 1

[www.kpmg.lu](http://www.kpmg.lu)



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.

© 2018 KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.