

New PE risk in your business structure

Response to BEPS Action 7

Why your group structure may be affected by BEPS Action 7

- Your group has implemented a commissionaire or a similar model
- You have an ecommerce business
- You have organized your business through supporting activities in foreign jurisdictions (e.g. warehouses)
- You have recently introduced operational changes impacting your transfer pricing model

In October 2015 G20/OECD published its final recommendations to BEPS. The recommendations in Action 7 include significant modifications to the current PE definition. In order to ready your business for the anticipated changes, KPMG has created a methodology that assesses your critical business areas for PE exposure. Our approach provides a pragmatic solution to your day-to-day challenges. BEPS is the new reality. Certain countries have already implemented anti-avoidance legislation in response to BEPS Action 7 with the most notable development being the diverted profits tax recently introduced in the UK. More changes are to follow. Are you prepared?

Analyze your PE exposure under the new definition

Action 7 aims at

- expanding the scope of dependent agent rules,
- limiting the PE exempt activities, and → introducing antifragmentation rules.

The revised definition provides tax authorities with yet another means to challenge profit allocations between central entrepreneurs and their affiliated entities. The changes will have a significant impact on how you operate

your business. It is therefore increasingly important to align your transfer pricing model to your business reality.

Now is the time to obtain a clear view on how your group is specifically impacted by BEPS Action 7 and decide how to act further. Among other measures, risk can be mitigated through a revised transfer pricing system, review of contractual terms and conditions, and, where necessary, the accommodation of identified PEs.

Our offering

		Deliverable	Price
Awareness Meeting	Introductory meeting to raise awareness and present an overview of the changing landscape alongside current and future regulatory challenges.	Meeting minutes	Free of charge
Focus Session	<ul style="list-style-type: none"> Half-day workshop with KPMG representatives at the discounted fixed price. Identification of relevant areas at risk for your specific situation, based on information provided during the meeting. Planning and priority setting for further actions. 	Memorandum highlighting focus areas (heat map)	CHF 2,500
Risk Assessment and Recommendations	<p>→ Detailed risk assessment:</p> <ul style="list-style-type: none"> Mapping of relevant structures, procedures and flows together with functional analysis of activities of the group. Tax risk mapping (qualification and quantification). Matching the value creating and supporting processes with entities and locations. Estimating how these processes (activities) interact with commercial value drivers and translate into profit attribution as compared to the actual profit allocation and applied TP strategy. <p>→ Recommendations:</p> <ul style="list-style-type: none"> Development of recommendations of which current setups, flows and processes need to be updated and altered. 	Detailed report focusing on exposure, risk and recommendations on measurements to take	Standard rates

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