KPMG

Transfer Pricing and the Big Data imperative

Tax/Consulting

Do you know that Big Data is important for Transfer Pricing? Have you identified which external and internal data could be relevant? Do you know how to enhance your Transfer Pricing cycle through Big Data techniques? Do you know how to quantify the value of Big Data in the context of your value chain? The future Tax Director needs to understand and leverage Big Data also in the transfer pricing context to minimize tax exposures, maximize pricing objectivization and gain certainty.

Big Data to simplify your Transfer Pricing cycle and to provide insights

Just by analysing structured ERP information with a Big Data approach you can get significant intelligence about what is currently happening in your global world of inter company (IC) transactions.

- Additionally you can significantly enhance your IC price setting process by integrating external with internal data.
- Enhance the accuracy of the comparability analysis or use predictive analytics for modelling new policies.
- Products, services, and intangibles value can be heavily driven by the underlying data. Such data can exist either in the form of intellectual property reference information, manufacturing information, clinical research data, roaming data, client social media intelligence and many others (industry dependant).

This data is growing at a much faster pace than in recent years but the underlying value of these massive volumes of data is not always explored. This data can provide valuable insight on product and service value, product and service pricing and market relevance, company relative position, and other key factors which are affecting comparability and are allowing a more objective policy definition or a strong pricing corroboration.

Whether the product or service value is based on the tangible components, key functions or intangible elements can be better resolved by an analytics approach that considers the neighbouring society and other data dependent techniques.

Determine arm's length range – the Big Data perspective

It is often hard to obtain reliable information on arm's length value of comparable products or services. As an independent actor KPMG provides an innovative service leveraging Big Data (internal and external to the corporation) to complement traditional analysis and determine and bring forward arguments to set the arm's length range, to define the optimal market value of a product or service or to strongly corroborate the price obtained through the traditional methods.

We believe that the KPMG approach of including all relevant facts in a Big Data framework, combined with an unprecedented experience of traditional Transfer Pricing, can add a differential approach in supporting which one is the most reliable method to set or test your pricing, which one is the most appropriate arm's length range and what are the key value indicators to observe in your company.

Predict the value tomorrow by using Big Data

In a fast moving world, extrapolation of tomorrow's value by building up on historical data does not always reflect the changed conditions of tomorrow. Machine learning methods that leverage advanced Big Data techniques for product and service value determination can provide accurate statistical

probabilities of outcomes for future product or service value scenarios modelling.

The value of data itself

When valuing data on a stand-alone basis, the value will depend amongst other factors on the type of data, and what will it be used for. The search process to find comparables is not always immediate, but the increasing volumes of information available in internet and databases nowadays increase the possibilities of finding CUP prices.

Value of Intangibles and Big Data

The true value of a product or a service is increasingly dominated by different kind of intangibles and to an increasing extent by the information out of the data itself.

OECD recently indicated that the BEPS work in the area of Transfer Pricing should take in account the heavy reliance on collection, analysis and monetisation of data that characterises many companies in the digital economy. The clear trend is that this is not only heavily affecting digital companies but also traditional industries and sectors.

The Big Data offering disruption into your company, combined with other emerging technologies like cloud, social media and IOT, can be as relevant as having the capacity to alter the relative contributions across the value chain and create potential new intangible types.

How can KPMG help?

- Developing an insightful Transfer Pricing management dashboard for the Tax/Transfer Pricing director.
- Moving to real or quasi real time IC price setting for selected transactions, taking you to the next level.
- Significantly increase robustness of your transfer pricing cycle, comparability analysis, intercompany policies, value chain analysis and ultimately of your effective tax rate.

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