COVID-19

COVID-19 and its impact on Transfer Pricing

Webcast on key action areas and practical considerations
April 2020

Your PwC team presenting today

Benjamin Koch, Partner
Leader Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 79 643 93 11
E benjamin.koch@ch.pwc.com

David McDonald, Partner
Leader Financial Services Transfer Pricing, PwC Switzerland

T +41 75 413 19 10
E david.mcdonald@ch.pwc.com

Yan Hurdowar, Director
Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 79 349 78 48
E yan.hurdowar@ch.pwc.com

Jacob Parma, Director
Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 78 849 94 87
E jacob.parma@ch.pwc.com

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Challenges

Intercompany Financing Transactions

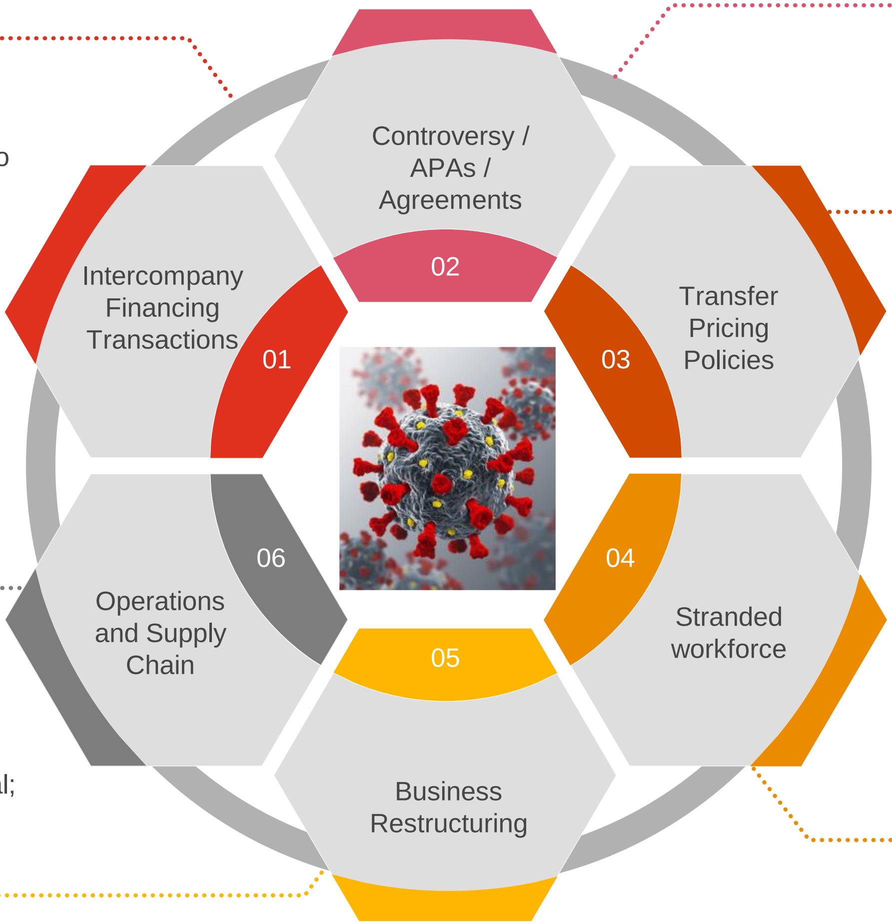
- Changes in group's external funding arrangements
- New/different/larger intra-group financial transactions to get cash and get it where it is needed
- An increased recognition of risk
- Volatile market pricing
- New OECD Guidance

Operations and Supply Chain

- Shift in functions, risks and assets;
- Changes in TP outcomes;
- Changes in intercompany agreements; and
- Potential impact on royalties and valuations.

Business Restructuring

- Business disruption;
- Movement of functions, assets, risks and profit potential;
- Certain functions to be replaced by technology; and
- What will the new normal look like?



Controversy / APAs / Agreements

- Postponed litigation and future effect on tax controversy;
- Considerations on APAs; and
- Short-term changes to intercompany agreements.

Transfer Pricing Policies

- Potential losses;
- Strain in "limited risk" models;
- Tax authority challenges if losses are borne by routine entities;
- Impacts on comparability;
- Comparability adjustments;
- Allocation of extraordinary expenses;
- TP provisions; and
- Extraordinary expense justification.

Stranded workforce

- Stranded employees;
- Value chain analysis alteration;
- PE and personal income tax exposures;
- PE profit attribution analysis; and
- OECD paper.

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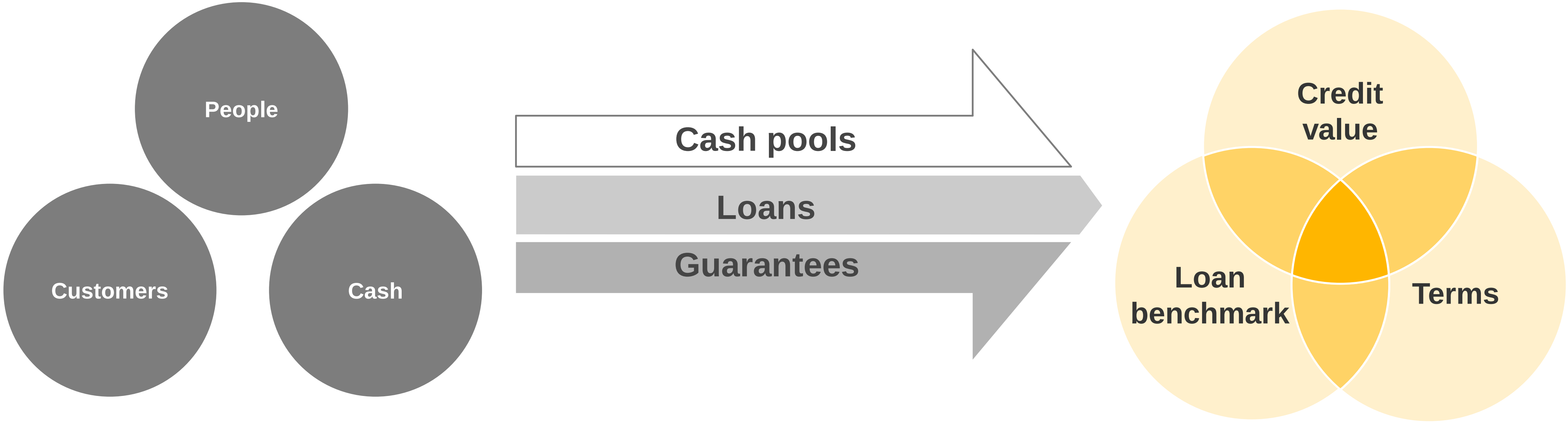
Intercompany Financing Transactions

Intercompany Financing Transactions



New OECD guidance on Financial Transactions

OECD area	Key tenets
Accurate delineation and opportunities realistically available	• Loan terms must be demonstrably arm's length (duration, currency, security etc…) • The transaction must be reasonable from the perspective of the borrower • The transaction must be reasonable from the perspective of the lender • The amount borrowed must be an arm's length amount
Cash pools	• There must be a functional analysis • Cash pool leaders will typically have limited risk/function and should therefore receive a limited return • Substance is key – for example the duration of deposits must be considered
Guarantees	• There should only be a guarantee fee if the guarantee is explicit and if it provides a qualifying benefit • Where guarantees result in increased borrowing capacity, calculating guarantee fees is complicated • There are 4 alternative methods for calculating guarantee fees
Credit ratings	• Credit rating estimates are important part of pricing loans (and guarantees under some methods) • Black box models should not be used • Neither the 'member of a group' or 'stand-alone' approaches is always correct. The analysis and model adopted must depend on the group facts and circumstances

External financing

Trends that impact intercompany financing transactions

The current market developments that many groups are facing impact their intra-group financing arrangements. For example:

Access to funding and impact on funding cost

- Monitoring of limits on existing credit lines, potential need to increase existing credit lines, draw new credit lines
- Access to funding may only be accessed at a premium or less favourable terms than before
- Conversely, well-positioned borrowers with may have opportunities to seek additional funding more cheaply

Changes in terms and conditions

- Lenders may require revised terms and conditions, including pledging collateral or guarantees from affiliate companies
- Parties might agree to restructure the debt with fewer, less restrictive covenants albeit at a higher interest rate
- In extreme cases, lenders might attempt to enforce breaches of contract prior to actual default in order to recover expected losses in advance

Government intervention

- Borrowers may benefit from government intervention or relief programs with more favourable terms and conditions compared to financing obtained under commercial circumstances
- Level of intervention and terms will vary across countries

What if it is a mix of changes?

Takeaway:
Impact will vary on a case by case basis. Assess which of these aspects are relevant for your group and consider these when structuring new intercompany financing transactions or refinancing existing transactions

Intercompany financing

Critical issues and considerations

Intercompany financing policies with respect to financial transactions should be examined in seeking to avail of cash tax and/or effective tax rate opportunities or to mitigate the downside tax and operational costs of maintaining the status quo. The starting point should be large new transactions.

Below are critical issues and considerations in light of financing policies in the current economic environment:

Accurate delineation	• Any financing decision should consider the current economic conditions and resulting impact on key terms. • Important to consider how creditworthiness may impact the pricing of intercompany financing transactions.
Options realistically available	• Should existing loan agreements be modified and would this have happened at arm's length? • Does the borrower have the right and would it beneficial to them to prepay early? • What about the lender. Could it demand early repayment and refinancing at a higher rate? • Could the borrower really access borrowing in the current market environment?

Intercompany financing

Critical issues and considerations (cont.)

Cost of borrowing	• Market rates of interest are subject to extreme volatility in today's environment, which makes the documentation and timing of the arm's length interest rate benchmarking of critical importance. • Interest rate benchmarking should be representative of the market as of the execution date. If transactions are delayed, benchmarks may have to be refreshed.
Government stimulus	• Affiliate companies may obtain financing on terms more favorable than otherwise available in the market through government incentives. An evaluation would be required to determine if such terms can be mirrored in intercompany financing arrangements (or adapted as necessary). • For example, the arm's length question could be: As a standalone subsidiary with a strong credit rating, could it have been eligible for the government-supported programs?
Guarantees	• External lending institutions may require additional financial and/or performance guarantees from parent or affiliate companies. • Pricing of the guarantee must be considered based on the benefit received, which can include additional risk being borne by the guarantor, a potential rate benefit, or it may be more of an administrative purpose (e.g., more direct access to assets during bankruptcy). There are varying pricing approaches that can apply, as highlighted in the OECD FT Paper.

Intercompany financing

Cash pooling and Treasury Centres

- Cash pooling policies should be evaluated to take into account current market changes and the new OECD guidance.
- A higher utilization of cash pools is expected as the mobility of short-term cash becomes critical to fund working capital and other needs.
- Whilst CHF and EUR base rates have been low for some time, the steep reduction in the base rates of other currencies can impact the overall economics of the pool and significantly reduce the return that could be earned by the treasury center on deposits.
- In cases the cash pool leader requires external funding to finance the cash pool, the increase of external funding costs to the treasury center could lead to structural losses at the treasury center (if deposit and draw down rates are not adjusted).
- There are further questions with how cash pool synergies should be adjusted in line with the new OECD guidance and whether support payments should be made from pool participants if the pool is in a loss position.

Recommended actions

- Ensure that you are aware of any significant new related party financial transactions – and evaluate pricing carefully
- Review existing large transactions to see if they are impacted in the ways outlined in these slides
- Review your current approach on pricing of intercompany financial transactions and perform a gap analysis to assess effort to comply with the new OECD guidance
- Based on the results of the gap analysis, update financial transactions transfer pricing policies within 2020

3 Transfer Pricing Policies

Transfer Pricing Policies

TP Models

Key Issues

- Loss-making businesses are realizing that their TP models designed for times of economic prosperity are not adapted to current crisis
- Can limited risk models continue to earn the same target profit margins?
- Losses at the level of central entrepreneur and profits at the level of limited risk entities create liquidity issues and impact the group ETR

Key Questions

- Have you revisited the group's TP policy to potentially share risks / losses?
- Should the Principal bear all losses given it earns the residual profits in good times?
- Can the target profit margins of limited risk structures be lowered? Does limited risk means risk-free?
- Have you considered the implications that changes in year-end TP adjustments may have on customs, VAT and withholding taxes?

Key Action Points

1. Analysis of your intercompany agreements

- 3rd parties are renegotiating their contractual arrangements (pricing, production volumes, payment terms, etc.)
- Grounds for contractual renegotiations – built-in clauses on term renegotiations, clauses of force majeure/unforeseen circumstances

2. Functional analysis

- Focus on conduct of the parties - control of economically significant risks
- Refer to 6-step risk analysis framework (para 1.60 of OECD TP Guidelines)
- Verify risk analysis description in existing TP documentation (Master File/Local Files)

3. Change in TP policy

- Revisit group TP model based on analysis in steps 1 and 2 and remember to document!
- Change intercompany agreement or suspend its application (e.g. MoU between the parties that different terms apply during COVID crisis)
- Take into account TP adjustments when implementing revised TP policy

Transfer Pricing Policies

Comparability Analysis

Key Issues

- Existing benchmarks do not reflect the current operational reality in a COVID environment
- Current benchmarks reflect target profit margins to be achieved during times of economic prosperity
- Benchmarks in place are one-sided analyses of limited risk models that ignore overall group profitability
- Companies may have a different functional profile in COVID times (changes in working capital, different activities because of stranded workforce, increased market risk and credit risk)

Key Questions

- Are your current benchmarking analyses aligned to a COVID environment?
- What TP solutions can you use to adjust benchmarks to change target profit margins of limited risk models to improve group liquidity and ETR?
- Should you run these comparability adjustments now or should you wait? What about the timing of documenting such adjustments?

Key Action Points

1. Comparability adjustments

- Identify real-life 3rd party examples (e.g. decrease in sales commission paid to 3rd party agents)
- Adjust benchmarks to quantify profitability decrease in crisis times (e.g. through statistical regression analyses)
- Adapt search strategy to capture crisis-impacted comparables, test returns over different economic cycles
- Consider value chain analyses (profit split vs. TNMM)

2. Robust documentation

- Do not wait as time lag implies that 2020 benchmarking data reflecting COVID will only be available in late 2021/early 2022! No guarantee that such benchmarks fully reflect crisis!
- Document comparability adjustments supporting change in TP policy – an ex-ante analysis to revise arm's length pricing mirrors 3rd party behavior and is more robust than an ex-post justification of deviations from established pre-crisis TP policies

Transfer Pricing Policies

Extraordinary Expenses

Key Issues

- Businesses incur extraordinary expenses, e.g. workforce redundancy costs, plant shutdown costs, supply chain disruption costs, inventory obsolescence, contractual termination costs
- Extraordinary expenses are unforeseen and generally have not been provisioned
- Most companies do not have a clear pre-defined policy on which group entities should bear these extraordinary expenses

Key Questions

- Are these extraordinary expenses covered by your existing contractual framework or TP documentation?
- Should you recharge all extraordinary expenses to your Principal/HQ?
- Is there a case to make a limited risk entity bear part of the extraordinary expenses? What if these expenses arise from local decisions?
- Have you considered booking TP provisions?

Key Action Points

1. Analysis of existing documentation

- Are intercompany agreements explicit about extraordinary expenses
- Does the functional analysis in the Master File & Local Files provide clues as to which party should bear the extraordinary expenses

2. In-depth analysis

- Nature of extraordinary expenses and factors leading to these being incurred
- Parties responsible/in control of extraordinary expenses being incurred
- Determine reasonable/defensible allocation of extraordinary expenses between relevant group entities

3. Robust documentation

- Document in detail analysis performed, rationale for allocation methodology chosen
- Contemporaneous defense file of extraordinary expense allocation will come in handy when dealing with statutory auditors and in future tax audits

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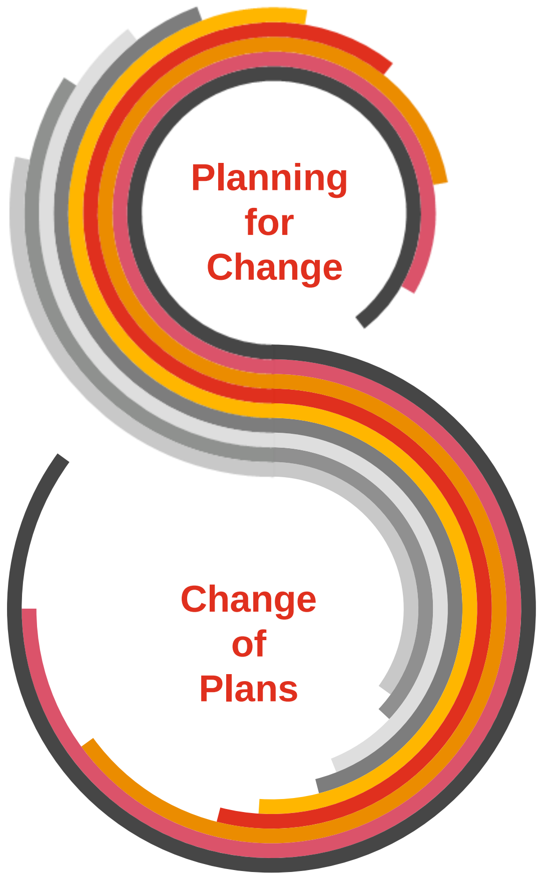
Controversy / APAs / Agreements

Controversy / APAs / Agreements

Handling Critical Assumptions during Critical Times

Predicting the unpredictable

- Overall dynamic market and regulatory environment – even without COVID-19 impact
- Transfer pricing models are dependent on a number of critical assumptions
- Taxpayers rely on critical assumptions when entering Advance Pricing Agreements (APAs) and ordinary agreements (legal contracts) with related/unrelated parties
- Unpredictable and volatile “black swan” events affect both tax payers and tax authorities
- Most affected industries and businesses forced to quickly adjust transfer pricing models
- Current tax and transfer pricing litigation and rulings likely to be delayed / postponed
- After an initial adjustment period tax authorities usually increase tax collection efforts
- Combined together: material impact on transfer pricing models and tax controversy



Controversy / APAs / Agreements

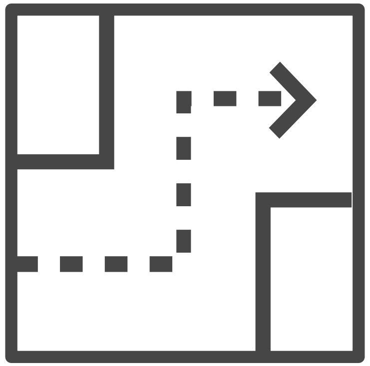
Handling Critical Assumptions during Critical Times

Impact on APAs - Challenges

- APAs by nature involve a longer time-horizon based on critical assumptions
- Significant and unpredictable changes may result in material impact on the financial result of the business model subject to an APA
- Sudden and unpredictable change (e.g. COVID-19) often requires that business reacts fast
- Deviation from the APA parameters or critical assumptions may invalidate it
- Changes to APA parameters and critical assumptions require time
- Pro-active approach towards Competent Authorities is highly recommended
- Global Financial Crisis (2007/08) experiences show there is room to act / discuss

Controversy / APAs / Agreements

Handling Critical Assumptions during Critical Times



Impact on APAs – Options to manage exposure

- Force majeure clauses may be invoked – high burden of proof and very fact specific
- Re-negotiation of certain APA parameters linked to underlying market data may be possible
- Timing of impact – adjust now (necessity) or wait for "full picture" (new data)
- Effects of disruption to business vs. government stimulus programmes slowly crystallising
- Potential for negotiation of adjustment to past (closed) financial years under APA
- Competent Authorities currently view the situation as "developing"
- Urgent need for change vs. "wait-and-see" approach to discussions with Competent Authorities

Controversy / APAs / Agreements

Handling Critical Assumptions during Critical Times

Impact on Intercompany Agreements

- Unpredictable events (e.g. COVID-19) result in material disruption to various business models
- This may invalidate certain core financial and operating assumptions of transfer pricing models
- Unforeseen margin volatility, inability to perform functions or carry risks, and other examples
- Ordinary termination clauses will often not allow for sufficiently quick reaction time
- Urgent changes to the underlying legal framework using the hardship or force majeure clauses
- Experience shows that a comprehensive and targeted approach allows for a fast reaction - helping to contain or manage financial impact of the external shock

5 Wrap-up and outlook

Wrap-up and outlook

Financial Transactions
- New / different / larger related party financial transactions
- Benchmarks are moving. Terms / quantum have to be considered. New technical requirements
- Triage and focus on biggest transactions first

Controversy / APAs / Agreements

- Litigation – status quo?
- APA critical assumptions and parameters affected
- Contractual obligations potentially under strain

Business Restructuring

TP policies
- Dealing with losses
- Adjustment of BMs?
- Extraordinary expenses

Operations & Supply Chain

Stranded Workforce

Webcast April 17

Webcast May 8

Q&A

Thank you

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COVID-19 and its impact on Transfer Pricing

Part Two

Webcast on key action areas and practical considerations
May 8, 2020

Your PwC team presenting today

Benjamin Koch, Partner
Leader Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 79 643 93 11
E benjamin.koch@ch.pwc.com

Maurizio Borriello, Partner
Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 79 580 70 34
E maurizio.borriello@ch.pwc.com

Anna Johnson, Senior Manager
Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 79 246 03 73
E anna.a.johnson@ch.pwc.com

Jim Matthews, Partner
Transfer Pricing and Value Chain Transformation, PwC Switzerland

T +41 79 897 78 03
E matthews.jim@ch.pwc.com

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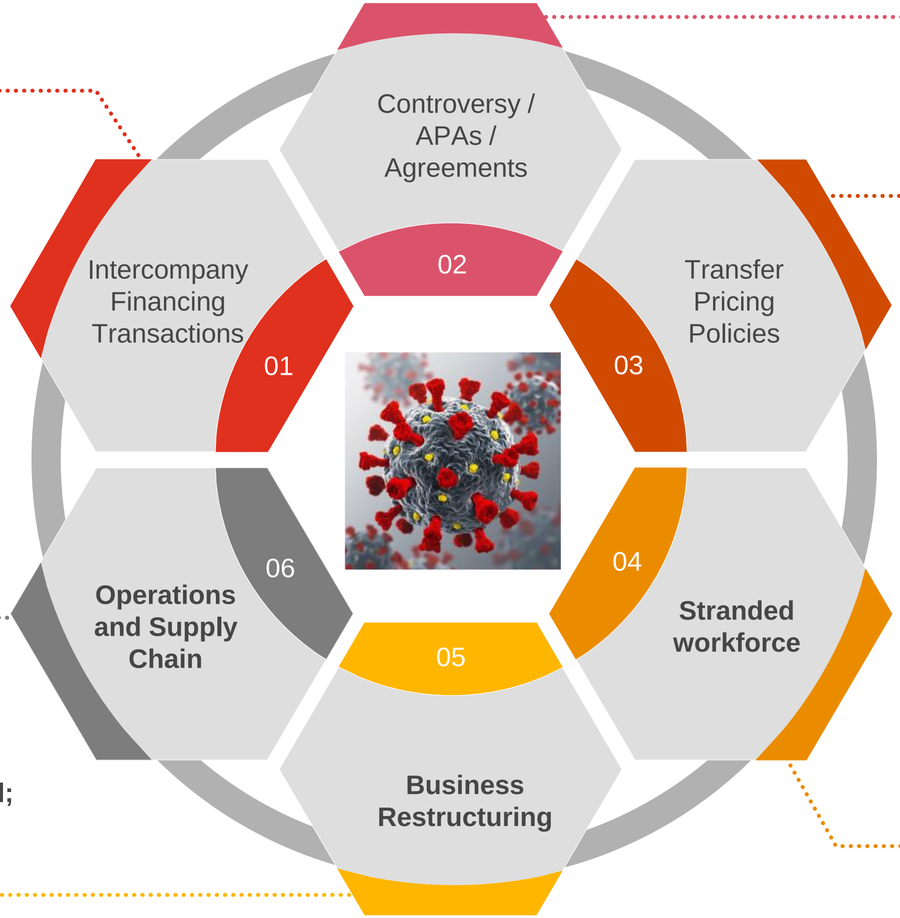

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Stranded workforce

- **Stranded employees;**
- **Value chain analysis alteration;**
- **PE and personal income tax exposures;**
- **PE profit attribution analysis; and**
- **OECD paper.**

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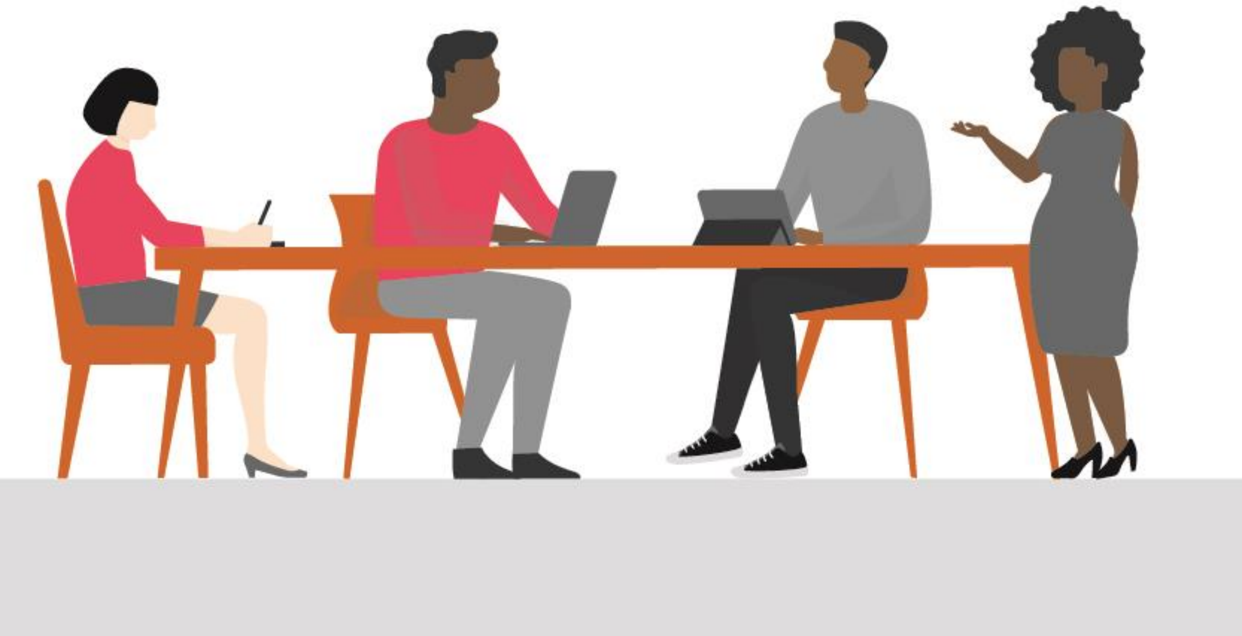
Stranded Workforce

Where there is risk, there is opportunity

危 机 Wei ji = crisis in Chinese
危 Wei is danger, 机 ji is opportunity

- COVID19 is driving unprecedented disruption, raising numerous complex (and exciting) questions for organisations - the Future of Work is happening now.
- While there are opportunities, from a tax/transfer pricing perspective one of the main topics that comes up is the treatment of so called “stranded workforce” from a tax perspective.
- With travel restrictions in place, many key business personnel are stranded in foreign countries or working from home countries (possibly different from the country where their contractual employer is based or their ‘usual place of business activity).



Relevant areas

Our focus today

01

Permanent Establishment

Longer stays in a certain country with "critical" activities might trigger PE

02

From TP to other topics

A variety of fields are impacted by stranded workforce

03

The opportunity

Align and rethink workforce and business strategy

OECD rushes to address some of the issues (1)

On 3 April 2020, the OECD Secretariat released initial analyses on tax issues arising from cross-border workers affected by the COVID-19 crisis, with an accompanying blog post; some countries have also started publishing their own guidance.

Topic	OECD's input
General statement	• OECD Secretariat cautions that the exceptional and temporary impact of the COVID-19 crisis on employee displacement should not create changes to PE determinations under most current tax treaties.
First treaty analysis	• <u>Generally</u> working from home or concluding contracts from an employee/agent's home should not be sufficient to create a PE. • Temporary halt in work at a construction site should not dissolve a PE. • In most instances the receipt of subsidized income payments by temporarily displaced employees should also not give rise to a PE.
Place of effective management	• Temporary changes in location of CEOs and other senior executives due to COVID-19 generally should not trigger a residency change. → Especially after application of respective treat tie-breaker rules.

OECD rushes to address some of the issues (2)

Further OECD guidance on some selected topics:

Topic	OECD's input
Fixed place of business PE	A fixed place of business PE will not be recognised because of individuals working from home outside their jurisdiction of employment because the arrangements are temporary, exceptional and the result of government actions outside of the control of the employer.
Agency PE	As mentioned above, even the signing of contracts by employees will not lead to the creation of a PE during the COVID-19 crisis.
Cross-border commuters/workers	Employment income should be attributable to the place where the employment used to be exercised, i.e., the state where the employees used to be physically present when performing the activities for which the employment income is paid.
Personal tax implications	Due to temporary nature of this extraordinary circumstances, the residence position of an individual should not change in most cases when the tie-breaker-rule is applied; also in cases where domestic rules of the current country of presence may consider the individual a tax resident.

- Degree to which OECD member countries follow the OECD Secretariat's guidance may vary.
- Some countries have already issued specific guidance with clarifications and/or differing statements (Australia, Ireland, US, …).
- Some of the statements in the paper (e.g. signing of contracts) are already controversial under "normal circumstances", as is the permanent establishment topic in itself.
- Call for action to identify critical cases and implement mitigation measures.

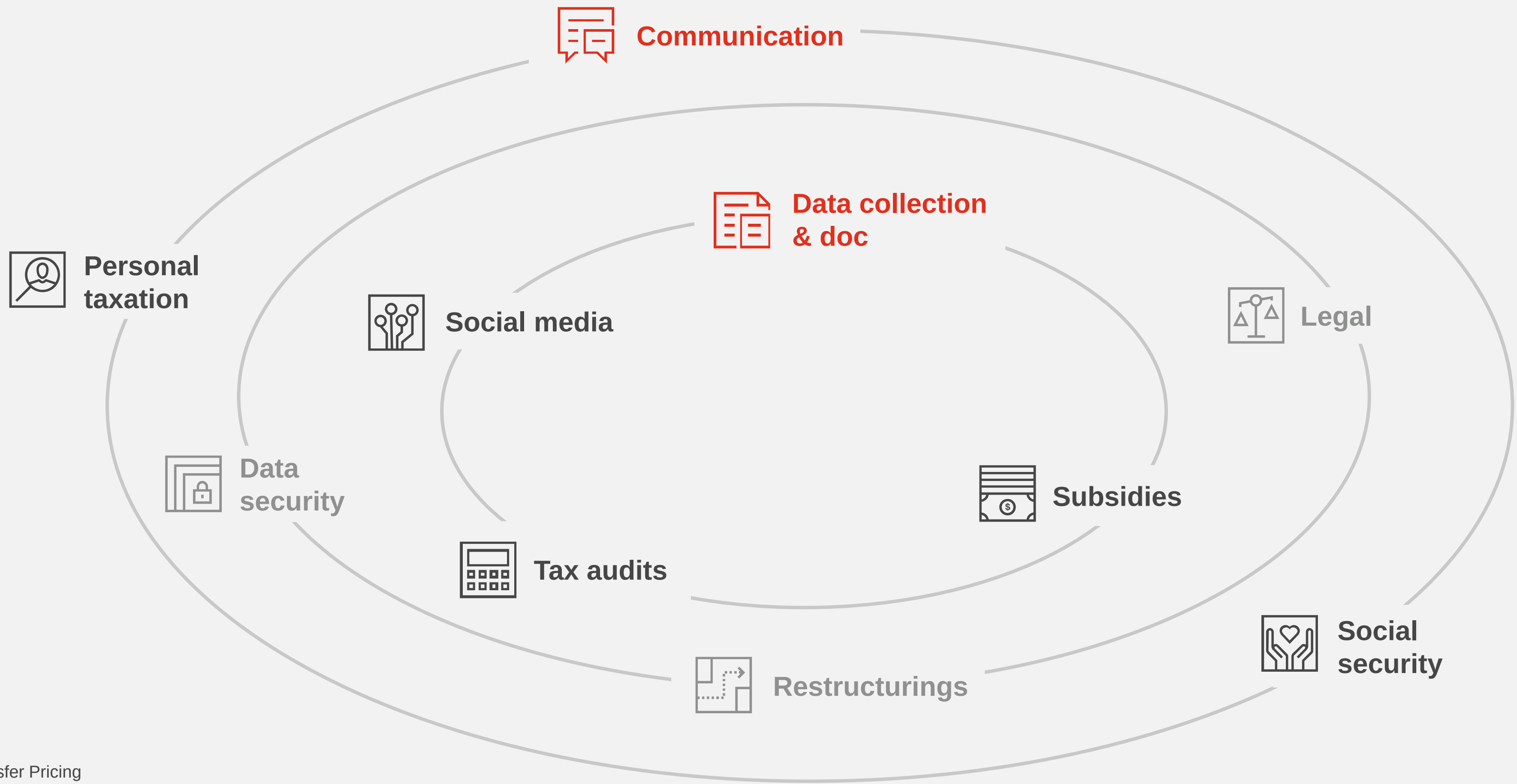
From Transfer Pricing…

Questions to be asked from a TP perspective

- Has there been a consideration of stranded employees' impact on the PE positions and policies of the group?
- Has a respective strategy been developed on how to deal with the most critical cases?
- In case PE's arise, has there been a consideration of a consistent approach for profit attribution to the PE's (even pre-COVID)?
- Have you assessed the TP impacts of "virtual working teams", in terms of cost allocation, timesheet, geographically spread know-how?
- Does the altered situation require more fundamental/permanent changes to the business model?
- Have all the stakeholders been involved, as this touches various areas of expertise?

… to other topics

Connect with other teams and areas



Stabilize business and prepare for future success

Rethink your workforce strategy

Align workforce for sustainability

Organizational goals

- ✓ Enable sustainable remote or mobile working
- ✓ Reconsider non-critical roles and excess capacity
- ✓ Consolidate fragmented functions and eliminate shadow activities
- ✓ Expand role and capabilities of shared services to support corporate functions, regions, business/segments

Global Employment Company Model

- **Employment and pay vehicle** for employees in global roles or working from locations where the company does not have a legal entity
- **Allows to pay and distributes benefits globally / regionally** for key groups of employees.
- **Helps manage corporate risk** (e.g., permanent establishment, transfer pricing, payroll compliance, etc.) associated with remote working and globally mobile staff
- **Facilitates income and social tax planning**

Traditional	New State
• Shared service centers - centralize support-type functions, e.g., Human Resources (“HR”), Payroll and Accounting • Allows for central cost monitoring and budgeting, gains on cost efficiencies	• Employ key people which create and drive value for companies • Allow for sufficient flexibility and adaptability to match the mobility of these persons or their remote working

Key considerations

Workforce analysis: Determine which critical functions must remain on site, which can be remote, which can be consolidated or redeployed, and which should be parted with

Value (re)distribution: Re-evaluate organizational design and impact on transfer pricing policy

Location: Consider location strategy in response to changing supply chain

Compliance risks: Permanent establishment analysis

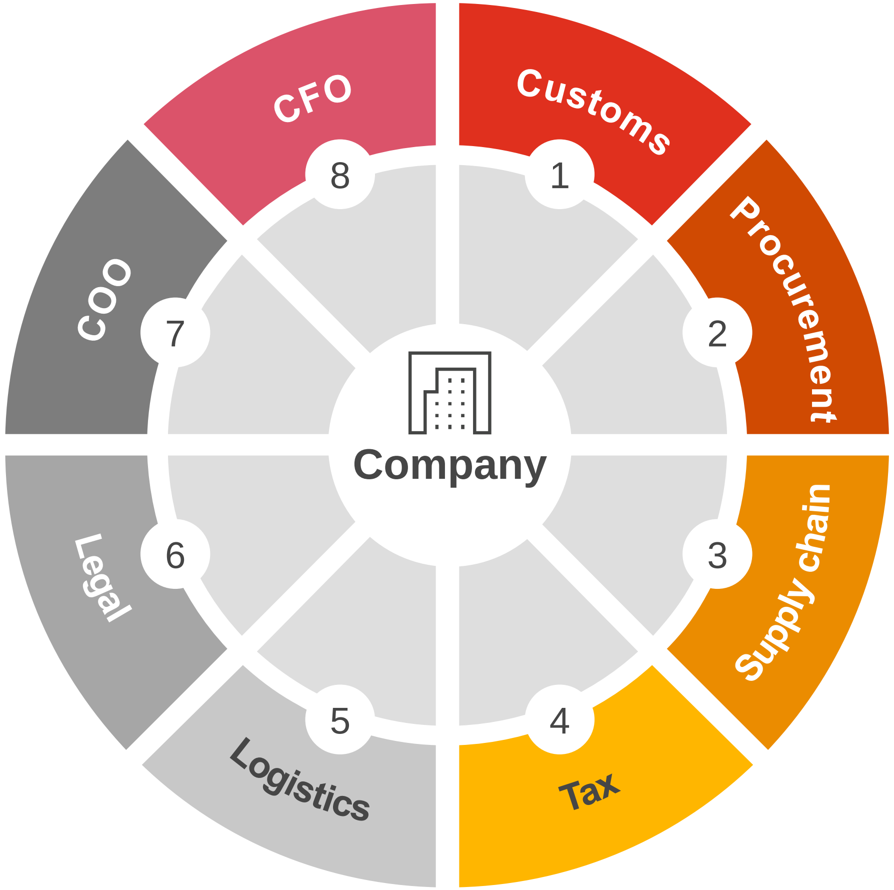
Employment obligations, policies, costs and benefits: Employment taxes, reporting obligations, incentive structures, pension plans and schemes, etc.

Immigration issues

3

Supply Chain and Business Restructuring

Balancing immediate issues with a longer-term view



Immediate challenges

- Liquidity issues
- Human capital issues
- Loss of revenue and margin erosion

Structural shifts

- Changes in supply chain footprint and network
- Demand shifts and uncertain demand outlook

Long-term planning

- Accelerate recovery ahead of peers
- Emerge a more resilient / “fit for growth” business

Trends shaping business models

- Reduced globalization / increased trade barriers
- Governments' tax policy responses and stimulus

External

- Shorter supply chains
- More virtual, digitally connected ways of working
- Leaner management governance models
- Appetite for transactional and business process simplification

Internal

Addressing supply chain disruptions

Common challenges and worries

1. Critical parts or ingredients may be scarce
2. Containers and freight vehicles not being in the right place
3. Inventory issues due to a slowdown in global supply chains
4. Volatile demand
5. Controlling third party behaviors
6. Labor availability
7. Financial distress of suppliers
8. Environmental, social and governance risks

Business response

- **Opting to buy and sell products when manufacturing is not possible**, in order to maintain customer relationships.
- **Replacing** standard sources of raw materials and other components.
- **Localize supply chain** where possible within country borders and take advantage of local incentive programs.
- **Centralized procurement models** - capitalize on high economic significance of supply planning and procurement functions.

Supply chain disruptions through the tax lens

Key impacts

- Shift in functions, risks and assets
- Changes in the key characteristics of entities
- Changes in TP outcomes

Key questions

- What are the **immediate impacts** on the group's operations, location of IP, supply chain?
- What are the implications of **entity characterizations**?
- What **TP changes** are warranted?
- Is any compensation warranted? What are the **options realistically available**?
- What are the **long-term impacts** on the preservation of operating model in form/substance?

Address and document

- Revisit group TP model based on analysis in steps 1 and 2
- **DOCUMENT** as you go!
- Change intercompany agreements
- Update Master File and relevant Local Files

Business restructuring during COVID-19

Key issues

- **Complete shut down** of operations and parts of supply chain
- Volatile and changing **demand patterns**
- **Redundancy** of certain product lines
- Pressure to **reduce and optimize costs** and improve liquidity

Business response

- **Refocus product offering** based on demand shifts (e.g., manufacture products to help manage the crisis)
- (Temporarily) **convert manufacturing** (or other available) space for alternative use (e.g., R&D testing, warehousing, etc.)
- **Redeploy** or consolidate production lines
- **Outsourcing**

Tax response

Reduce costs

- **Manage cash taxes** through income and cost allocations, monetizing attributes, obtaining available refunds, and reducing required tax payments
- **Transactional simplification** to reduce costs (principal models, single sales entity models)

Consider restructuring steps

- **Agile tax models** are needed in the face of global crisis to allow the tax function to effectively provide critical inputs in business decisions
- **Simplify revenue booking and supply chain models** while bracing for an unpredictable revenue and profitability mix (as well as declined asset valuations)
- **Evaluate operating model** under revised expectations of the future (i.e., business considerations, imminent regulatory changes such as BEPS 2.0)
- **Capture opportunities** for leaner / more flexible operating models that respond to increased digitization, new trade and regulatory barriers, virtual governance models, and related uncertainties

IP transfers

Issue

- Softening of business outlook, in particular in Europe and Asia - margin erosion, reduced forecasts, depressed valuations

Impact

- Business disruptions and lower IP values
- Movement of functions, assets, risks and profit potential
- Role of people vs. technology

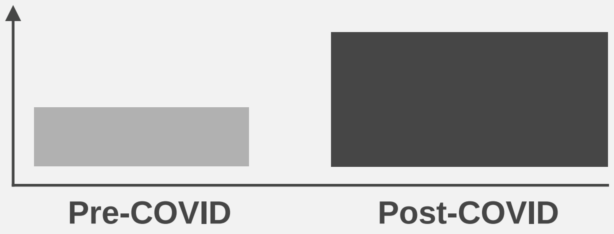
Opportunity

- Number of entities that own IP might generate losses during 2020. Businesses might respond to the disruption by changing their operating models and explore new ways of using technology
- These effects combined with a lower value of the IP represent an opportunity to evaluate more efficient IP ownership models that align with the changing business models and drive sustainable ongoing cash flow efficiencies

Digitization of value chain and sales channels

Plan / design → Buy → Make → Store / move → Market / sell

Level of digitization and digital assets deployment in value chain



Observations	Tax considerations
• Shift of value creation within VC • Digital assets developed • Major risks better deployed • System profit unchanged	• Role of people vs technology • Functional profile – unchanged? • Location and value of IP and technology • Changes in the TP model and value attribution • Country-specific digital tax measures • BEPS 2.0

BEPS 2.0 update

- OECD continues the work on Pilar 1 and Pilar 2, i.e. the program of work on tax and digitalization that would reallocate corporate profits in favor of market countries and also create a global minimum tax regime
- OECD does not have the option of delaying the work, unless the G20 changes the mandate
- It is widely expected that no public consultation papers will be issued before July 1, 2020

Next steps for tax teams

Action	Urgency	Challenging questions	What you should consider?
Holistic and real time tax modelling of the disruption and documentation of the changes		• Do you keep track of all organizational, operational and supply changes that impact tax positions and transfer pricing? • Do you have the data to model in real time what the current supply chain disruptions mean for existing transfer pricing structures? • Do you know the impact and how to react in a proactive manner as an adequate business partner? • Can you stress-test the long term sustainability of existing tax structures in view of current evolutions?	• Gain access to business critical data so as to monitor the views on trends and uncertainties: focus on business model sustainability • Streamlined structures: update assumptions/analyses to identify planning ideas (e.g., principal structures, procurement models, etc.) so as to model out revised cost/benefit calculus (e.g., depressed asset values but also lower future profitability, etc.) • Does less mobile workforce affect deployment of assets, functions and risks globally? (economic substance/DEMPEs location)

Next steps for tax teams

Action	Urgency	Challenging questions	What you should consider?
Addressing business model change		• Will you need to alter the business model or does the current turmoil provide an opportunity to restructure the business model to become better fit for purpose? • What are the tax implications? • Is economic substance and decision power aligned to the business model given that crucial decisions around closures, shut-downs, etc. will be taken at this stage? • Do you need to streamline the number of legal entities? What about permanent establishments?	• Review the tax implications of the transfer/migration of activities or assets • Analyze tax-effective migration scenarios • Identify appropriateness of advance tax rulings • Monitor tax compliance • Review of overall economic substance of structure • Optimization of system profit (or loss) allocation among legal entities and/or branches (PEs) as the case may be • Consider digital tax and BEPS 2.0 developments for the new digital operating models

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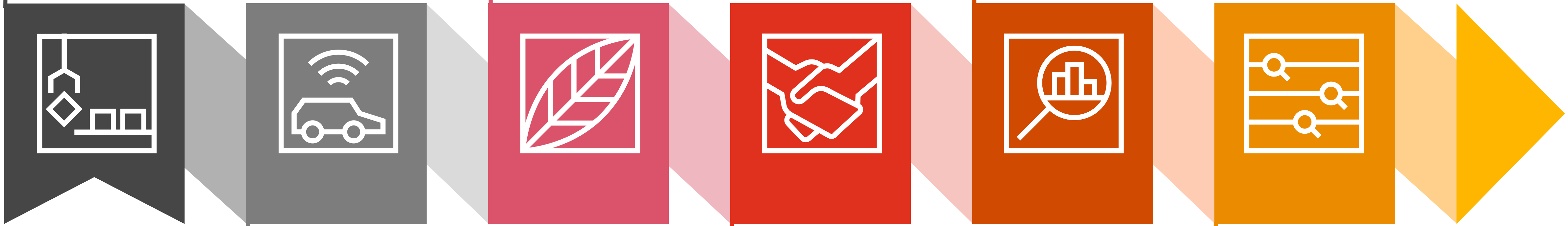
Wrap-up and Q&A

Wrap-up and outlook

Financial Transactions
- New / different / larger related party financial transactions
- Benchmarks are moving. Terms / quantum have to be considered. New technical requirements
- Triage and focus on biggest transactions first



TP policies
- Dealing with losses
- Adjustment of BMs?
- Extraordinary expenses

Controversy / APAs / Agreements
- Litigation – status quo?
- APA critical assumptions and parameters affected
- Contractual obligations potentially under strain

Operations & Supply Chain
- **Changes in key characteristics of entities**
- **Changes in TP outcomes**
- **Long-term sustainability of operating model**

Business Restructuring
- **Unique window of opportunity**
- **Simplify transactional models (direct sales, centralized procurement)**
- **Impact to asset valuations (including transactions related to IP)**

Stranded workforce
- **Assess and act on possible PE exposure**
- **Consider linked areas**
- **Opportunity to develop future workforce strategy**

Webcast April 17

Webcast May 8

Q&A

Thank you

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