

#### **BENEFIT TEST ISSUE FOR INTRA-GROUP SERVICES**

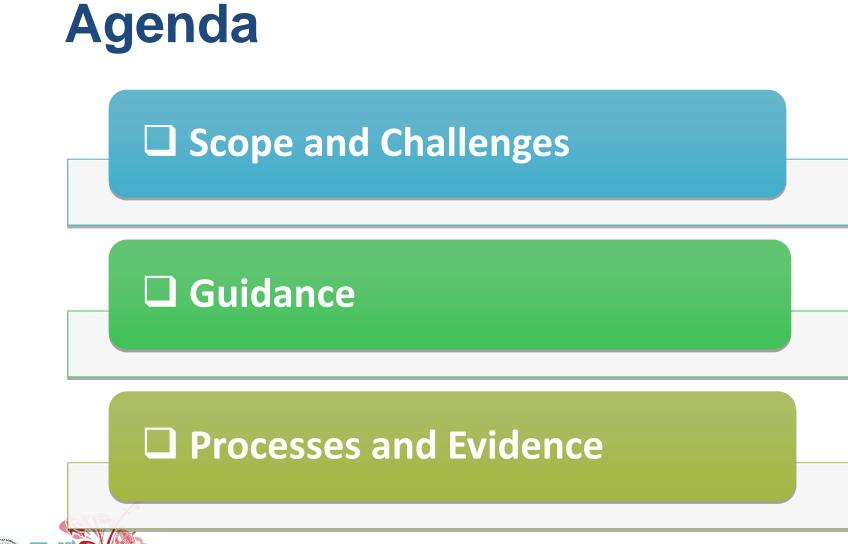
#### 51<sup>st</sup> SGATAR ANNUAL MEETING

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# **Scope and Challenges**

- □ Intra-group Services
  - Types of controlled transactions related to rendering of services are stipulated in TP Regulations
  - The common types of intra-group services in our experience are R&D, management, marketing, IT services and guarantees



# **Scope and Challenges**

□ Main Challenges in Evaluating Intra-group Services

Whether the intra-group services has been rendered

- The exact scope of intra-group services
- Benefit test



# **Scope and Challenges**

□ Main Challenges in Evaluating Intra-group Services

- Determining an arm's length charge
  - Hard to quantify and calculate the benefit
  - Whether the allocation key makes sense and is capable of producing charges that are commensurate with the actual or reasonably expected benefits to the recipient of the service



## Guidance

□ The Benefit Test in Our Jurisdiction

- No specific guidance and flowchart related to benefit test
- Concept of benefit test applied in practice
- No transfer pricing audit case brought to court regarding benefit test



## Guidance

□ The Benefit Test in Our Jurisdiction

- Not introducing the simplified approach for low value-adding intra-group services
- There's a safe harbor which has a similar goal as the simplified approach



## **Processes and Evidence**

**D** Existence of A Chargeable Transaction

- Three-tiered structure in our TP Regulations
- Preparation of transfer pricing documentation regarding intra-group services
  - A description of the intra-group services provided
  - A description of the benefits of the intra-group services and the identity of the beneficiaries



 Documentation and calculations showing the determination of arm's length charges

### **Processes and Evidence**

#### Price

TNMM method most adopted for general services

CUP method most adopted for guarantee type services



### **THANK YOU**

