



**RÉPUBLIQUE
FRANÇAISE**

*Liberté
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FRANCE – APA Case

Q&A and issue resolution

1. Main issues and bottlenecks

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1. Issues related to technical matters on the APA :

- Correct use of a split factor in an RPSM method : non-routine costs that should or not be included in the calculation of a split factor ?
- Checking the alignment of accounting standards (IFRS) between France, the US and also third party-countries.
- How to combine on one hand some flexibility in order to address interrelated issues and at the same time avoid issues raising potentially from third-party countries ? (the existing LRD's BAPAs, 2 benchmarks w/ significantly different ranges for the manufacturing activity)
- The need to check if the proposed TP policy is in line with the operational structure/organization of the Group.

2. Other challenges:

- The proposed covered period was almost expiring, emphasizing the urge to find a solution.
- The tax audit didn't challenge the RPSM methodology proposed but revealed some incorrect calculations of some costs (differences between the figures in the IT reporting system and the P&L).
- Taxpayer wanted to cover new transactions, linked to a business restructuring.

2. Solutions ! 😊

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1. Solutions related to technical matters on the APA :

- Ensure a robust framework for the annual report and matching the figures between the statutory accounts and the system profits/losses.

2. Other challenges:

- Discussion with the Group on eliminating the additional proposed transaction : the aim of the APA is to secure a TP policy, mainly on operational activity.
- Getting along the work on the BAPA while getting feedback from the Tax auditors. In France, we have a kind of "Chinese Wall" that means APAs still in evaluation are kept secret. The BAPA application is never shared.

3. Co-operation between CAs is the key

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- The covered period was about to end, emphasizing the need for a solution : we must remember that APAs are intended to give taxpayers and competent authorities "advance" tax certainty.
- Exchange of benchmarks between CA's in order to find a common ground

Agreed solution :

- The CA's agreed to use a "single" (worldwide) benchmark for the distribution and manufacturing ALRs :
 - TNMM (OM) 1.5% to 5.8% (distribution) in order to accommodate with the other ongoing APAs.
 - NCP 4% to 11% (manufacturing)

Thank you

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