

Group Discussion Session

CASE STUDY 1 - SPAIN

Group Discussion Session **(GROUP 1)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *Would you categorize the functions carried out by Company A related to the Online Sales in Country A, as a provision of services?*

Accurate delineation of transactions

Different views:

Main view: **Yes**, this 3. transaction is a separate provision of administration and logistics services as compared to main retail function, cost plus, but not on sales basis, values are not added on sales by Spanish company

The marketing of the services is in another country
2 first transactions should be together, the usage of business platform is a support for main routine distribution function

No, online and retail sales of tangible goods are similar functions, those are related, we should aggregate, marketing is together, online distribution is usual services

Group Discussion Session **(GROUP 2)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *Would you categorize the functions carried out by Company A related to the Online Sales in Country A, as a provision of services?*
 - Proper delineation first
 - Yes – Company A acts as a limited risk service provider with regard to the online sales transactions

Group Discussion Session **(GROUP 3)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *Would you categorize the functions carried out by Company A related to the Online Sales in Country A, as a provision of services?*

- Could be considered provision of services
- Not a Cost-Plus but an Operating Margin remuneration. Beneficial for Country A.

Group Discussion Session **(GROUP 4)**
CASE STUDY 1 - SPAIN

**QUESTIONS/ISSUES
FOR GROUP DISCUSSION**

1. *Would you categorize the functions carried out by Company A related to the Online Sales in Country A, as a provision of services?*
 - Yes
 - Value Chain Analysis: More information regarding the correct delineation
 - What are the benefits that company A provides?
 - Only implementation of the guidance:
 - Cost based remuneration (for online sales)
 - What other contributions are provided by other group companies to online sales in the other market
 - E.g. global marketing
 - Database study is not of use
 - Real third party comparables (third party negotiations)

Group Discussion Session **(GROUP 1)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *Given that the functional characterization made by the Group is correct, do you think the remuneration for the company A is accurate?*
- TNMM based on sales, if we aggregate first 2 transactions
 - TNMM based on costs, for the support transaction related to online sales , 3.

Group Discussion Session **(GROUP 2)**
CASE STUDY 1 - SPAIN

**QUESTIONS/ISSUES
FOR GROUP DISCUSSION**

2. *Given that the functional characterization made by the Group is correct, do you think the remuneration for the company A is accurate?*
- Do not think the remuneration proposed by the group is accurate
 - Characterization of company A as
 - a limited risk distributor regarding its main activity and
 - limited risk service provider with regard to the online sales transactions
 - Two new benchmarking analysis needed
 - Method -TNMM
 - Company A would be tested party for both transactions
 - PLIs – OM for the main activity and MTC on support services/administrative services related to online sales
 - Cost base – based on segmented financial statements

Group Discussion Session **(GROUP 3)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *Given that the functional characterization made by the Group is correct, do you think the remuneration for the company A is accurate?*

- The TNMM could be accepted
- We need to see what is behind the benchmark to know whether the comparable companies are acceptable or not.
- Is inclusion of COVID years (2020) acceptable? Fashion stores (physical) were closed.
- The interquartile range should not be that broad.

Group Discussion Session **(GROUP 4)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *Given that the functional characterization made by the Group is correct, do you think the remuneration for the company A is accurate?*
- We don't know yet
 - Value Chain Analysis
 - E.g. What is implementation?
 - Benchmarks
 - General premise of an operating margin is agreed

Group Discussion Session **(GROUP 1)**
CASE STUDY 1 - SPAIN

**QUESTIONS/ISSUES
FOR GROUP DISCUSSION**

3. *Do you think that the related-party transactions proposed by the company are well defined?*
- No, we already aggregated 2 first of them,
- Discussion about as long as limited distributor gets right compensation, it should be ok, no matter how many support functions

Group Discussion Session **(GROUP 2)**
CASE STUDY 1 - SPAIN



IOTA Case Study Workshop on
Transfer Pricing Challenges in Advance Pricing Agreements
3 -5 December 2024

QUESTIONS/ISSUES FOR GROUP DISCUSSION

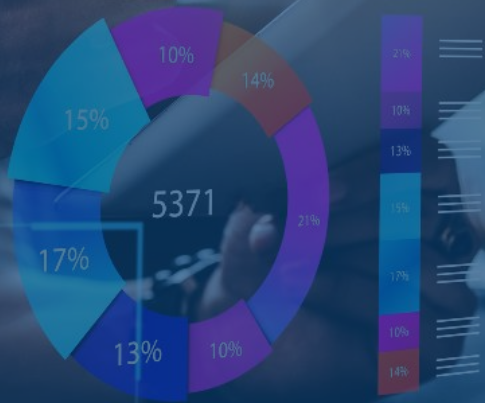
3. *Do you think that the related-party transactions proposed by the company are well defined?*
- NO

Group Discussion Session **(GROUP 3)**
CASE STUDY 1 - SPAIN

QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *Do you think that the related-party transactions proposed by the company are well defined?*
- For the platform fee – are adjustments made to the median?
 - For the platform fee – why not a royalty? Does the business platform really not have any IP/know-how?
 - T1 – well-defined only in APA circumstances. Where the APA is not in discussion, questions may arise as to why the transactions are made like this.

Group Discussion Session **(GROUP 4)**
CASE STUDY 1 - SPAIN



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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *Do you think that the related-party transactions proposed by the company are well defined?*
- No
 - Two Transactions
 - LRD in retail (goods)
 - Service for E-Commerce (Sales Agent)
 - Revenue: Information on online sales maybe not available to the local company
 - Cost: Does not match the incentive
 - Benchmarking on Cost but Transaction (Agency Fee) on revenue

Transfer pricing is not an exact science its an art