



IOTA

Intra-European Organisation
of Tax Administrations

IOTA Case Study Workshop

Advanced Transfer Pricing Issues

Case Studies

29 – 30 April 2026
Budapest, Hungary



IOTA

Intra-European Organisation
of Tax Administrations



IOTA Case Study Workshop on “Advanced Transfer Pricing Issues”

29 - 30 April 2026
Budapest, Hungary

CASE STUDY 1- LITHUANIA

Case Submitter:

First name: Jurgita

Family name: Staniulienė

Organization: Lithuania / State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania

Telephone: +370(0)52687510

Email: jurgita.staniuliene@vmi.lt

Background - Description of the Case:

General Information about the case

The tax administrator initiated an investigation into the transactions of Company LT, which operates as an authorised retailer of well-known brand new passenger cars, trucks, and related spare parts, as well as a provider of technical maintenance services. The primary transactions under review were those with the associated foreign Company B, which owned 100% of Company LT’s shares. Company B acted as a wholesaler, purchasing vehicles and spare parts from the manufacturer and reselling them to Company LT. Company LT acquired all its goods exclusively from Company B and sold them to end customers.

Initially, Company LT selected the resale price method as the most appropriate transfer pricing method and designated itself as the tested party. To substantiate that the purchase prices of vehicles were at arm’s length, Company LT presented resale gross margins for passenger cars, trucks, and spare parts based on the group management’s view of appropriate gross margin levels for comparable retail activities in the industry (Table 1).

Table 1: Controlled purchase transactions

Goods	1st year		2nd year	
	€m	Gross margin,%	€m	Gross margin,%
Trucks	36.1	5.2	243.1	1.1
Passenger cars	20.5	5.6	34.6	5.5
Spare parts	9.4	24.1	9.5	16.8
Total:	66.0	-	287.2	-



The company LT argued that a taxpayer should not be expected to incur disproportionately high costs to perform an exhaustive search for comparable uncontrolled transactions.

During the audited period, Company LT's EBIT margin was negative (-0.47%) or low (0.77%). Following an examination of the functions performed, risks assumed, and assets used by both Company LT and Company B, the tax administrator noted that Company LT's functions were limited and controlled by Company B, its risks were low or not independently controllable, and it did not own any significant intangible assets.

Because Company LT had not provided a benchmarking study to demonstrate that the pricing of vehicles and spare parts acquired from Company B complied with the arm's length principle, the tax administrator conducted its own benchmarking analyses. Company LT was selected as the tested party, the TNMM was applied as the transfer pricing method, and the EBIT margin was used as the profit level indicator.

Table 2 presents the calculated EBIT margins for the Company's LT main transactions and the arm's length ranges.

Table 2: EBIT margins and arm's length ranges (ALR), %

Goods (services) / Year	1st year	2nd year
Trucks EBIT	-0.97	-0.79
Passenger cars EBIT	-2.14	1.62
Spare parts EBIT	18.08	10.00
Maintenance services EBIT	-10.03	2.89
EBIT for truck transactions (including spare parts and services)	-0.24	0.18
EBIT for passenger car transactions (including spare parts and services)	-1.25	2.55
ALR for truck transactions	1.19-4.80	1.03-5.57
ALR for passenger car transactions	1.64-4.86	1.98-4.99

During the selection of comparable companies, it was observed that most market participants were engaged in complex activities, supplying vehicles and spare parts while also providing maintenance services. The investigation established that Company LT's vehicle distribution activities also included maintenance services closely linked to the supply of spare parts, i.e., the Company LT was contractually bound to provide warranty maintenance services, and approximately two-thirds of the spare parts were consumed in these maintenance service activities, including the performance of warranty repairs.

To compare Company LT's profitability (EBIT margin) with that of market participants, the tax administrator divided Company LT's activities into two business segments — truck distribution and passenger car distribution transactions, each including related spare parts and maintenance services — and conducted two separate benchmarking studies.

The main issues in calculating the EBIT margin of the truck distribution and passenger car distribution transactions were determining how to allocate the costs for the specified controlled transactions and how to divide the spare parts and maintenance service transactions between the two business segments.

The following sequence was applied in calculating the EBIT margin:

1. Revenue and cost of goods sold related to spare parts were allocated based on accounting data.
2. Maintenance services revenue and costs were allocated based on **the revenue generated from the truck and passenger car transactions.**
3. **Indirect costs were allocated based on the proportion specified in step 2.**



Taxpayer's Position

Company LT agreed to the segmentation of distribution activities into two business lines, the application of the TNMM, and the calculation of the EBIT margin. However, Company LT refused to include maintenance service activities in the EBIT margin calculation on the grounds that these activities were not related to the controlled transactions. Instead of using revenue as the allocation key for indirect costs, the company proposed using the number of employees in each division. It should be noted that approximately 60% of the Company's LT employees worked in the maintenance service segment. Therefore, if an allocation key is based on the number of employees, the service segment bears the majority of indirect costs.

Questions (relating to the case):

1. Do you agree with the segmentation of transactions proposed by the tax administrator?
2. What is the most appropriate allocation key for indirect costs?
3. Should maintenance service activities be treated as separate activity, unrelated to truck and passenger car distribution?
4. If maintenance services are excluded, would benchmarking studies that include maintenance service activities still be acceptable, given that, no adjustments can be made due to the absence of both sufficient data and alternative comparables?



IOTA Case Study Workshop on “Advanced Transfer Pricing Issues”

29 - 30 April 2026
Budapest, Hungary

CASE STUDY 2 - FINLAND

Case Submitter:

First name: Tiia

Family name: Granfors

Organization: Finland / Finnish Tax Administration

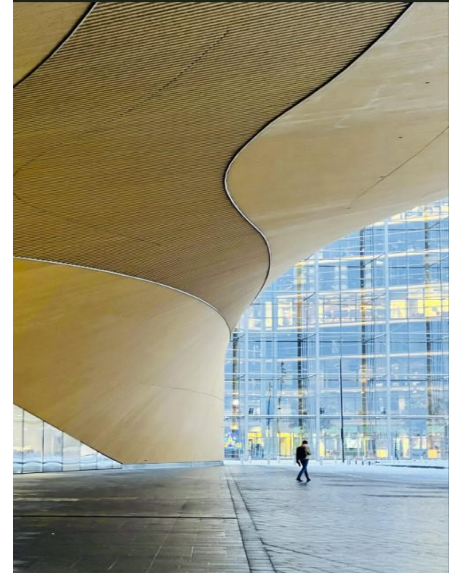
Telephone: +358408200845

Email: tia.granfors@vero.fi

Background - Description of the Case:

Contents

1. General overview of XZeus Group
2. XZeusFin's functions, assets and risks
3. XZS Ltd in Ireland
4. Intra-group transactions: IPLA and IPSA
5. MLC
6. Questions

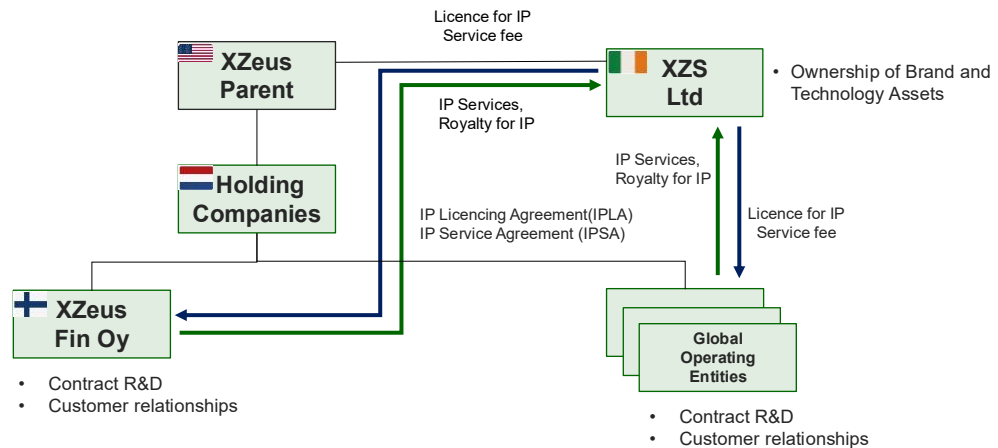




XZeus Group

- **The Group XZeus** operates in the field of technology, providing its customers highly advanced solutions and consulting
- parent company resides in the U.S.
- Group is global with several Operating Entities in different continents
- total headcount 200 000 people, turnover EUR 20 B, operating profit 15 %
- The Operating Entities license the right to use the **Brand Assets and the Technology Assets** from XZeus Solutions Ltd in Ireland (XZS)
- **XZS Ltd** is a global intellectual property management company
- Operating entities, such as XZeusFin Oy in Finland, operate locally close to customers, providing complex services from the technology product portfolio owned by XZS

XZeus Group's relevant companies



XZS Ltd in Ireland



- XZS Ltd in Ireland is a global intellectual property management company
- XZS Ltd employs around 100 people (top managers) in Ireland
 - Brand Managers, Technology managers etc
- Turnover EUR 2 B, profit EUR 1 B
- Turnover consists of royalties from the operating companies, costs are mostly Contract R&D fees paid for the operating companies
 - own administrative costs minimal
- XZS owns, invests in, bears the risks of, and manages XZeus Group's Brand and Technology Assets
 - According to the TP documentation it is responsible for the global strategies
 - Global Delivery Model
 - decides how to develop, enhance, maintain and protect IP assets
- The operating entities globally provide research and development services to XZS Ltd which bears the costs for these activities
- XZS gains most of the group's residual profits thanks to the royalty fees from operating entities worldwide.



XZeusFin's functions, assets and risks

- XZeusFin Oy in Finland operates locally close to customers, providing complex services from the technology product portfolio owned **by XZS or third parties** (in most cases a combination)
 - country manager, management team
 - 50 - 70 % of revenues comes from local customers
- headcount 3000 people
- Providing technology services requires significant input from the personnel that is highly educated
- XZeusFin builds customer relationships, is responsible for marketing, negotiates the deals and prices and delivers services to customers using the Group's IP or the IP owned by third parties
- As a customer facing entity XZeusFin bears all the risks related to its functions; market risk, pricing risk, personnel risk etc
 - According to the TP documentation XZeusFin operates as an "entrepreneur company" (except for the contract R&D services)
- XZeusFin also provides XZS in Ireland with contract R&D services
- XZeusFin also uses Group's service center in India and pays for this service with cost + 15 %. Indian service center plays an important role and is involved in almost every business case.



IPLA (Intellectual Property License Agreement)

- Under IPLA XZS Ltd grants the Operating Entities, such as XZeusFin in Finland, the right to use and exploit the Brand and Technology Assets in its respective business and territory in exchange for a license
- XZeusFin pays a **royalty of 8.5 % of external client revenues** to XZS
- The royalty 8,5 % is subject to certain limitations, including attainment of minimum routine profit **4,55 % ("MRP") or 5 %** depending on a year
- Minimum routine profit is determined by applying TNMM.
- Beyond this minimum, royalty rates rise in line with the higher operating margins reported by XZeusFin, but are capped at the maximum 8.5% rate

Example of royalty calculation

Operating Company Net Operating Profit Pre-Royalty Payment (%)	Royalty Rate Payable to XZS (%)	Operating Company Net Operating Profit Post-Royalty Payment (%)
Less than or equal to 4,55	0	No royalty therefore unchanged
5,55	1	4,55
6,55	2	4,55
7,55	3	4,55
8,55	4	4,55
9,55	5	4,55
10,55	6	4,55
11,55	7	4,55
12,55	8	4,55
13,05	8,5	4,55
13,55	8,5	5,05
14,55	8,5	6,05
Etc.	Etc.	Etc.



Outcome of royalty calculation 1/2

- During most years XZeusFin has reached an operating margin 4 - 6 % after the royalty for all its activities
- However, **the average** operating margin for the group as a whole has been reported to be **around 15 %**
- According to the TP documentation the main transfer pricing method applied for the royalty transaction under IPLA has been TNMM with XZeusFin as a tested party
- CUP method has been used as a corroborative method and according to the TP documentation 8,5 % royalty rate is at arm's length as well

Outcome of royalty calculation 2/2

IPLA Computations USD

	2019	2020	2021	2022	2023
Royalty base (external revenues)	278 363 458	219 317 604	221 940 881	219 036 879	224 137 611
XZeusFin Oy operating profit before royalty	35 882 369	37 549 499	25 402 099	21 012 472	27 356 168
Operating profit % before royalty	12,89 %	17,12 %	11,45 %	9,59 %	12,21 %
Minimum routine profit %	4,55 %	4,55 %	5 %	5 %	5 %
Minimum routine profit	12 665 537	9 978 951	11 097 044	10 951 844	11 206 881
Royalty paid	23 216 813	18 641 996	14 305 055	10 060 628	16 149 287
Effective royalty rate	8,34 %	8,50 %	6,45 %	4,59 %	7,21 %
Operating profit after royalty	4,55 %	8,62 %	5,00 %	5,00 %	5,00 %

IPSA (Intellectual Property Services Agreement)

- Under IPSA XZeus Group's operating entities, such as XZeusFin, provide XZS Ltd with intellectual property development services as limited risk contractors
- In accordance with the terms of the IPSA, global operating entities provide development services related to the Brand and Technology Assets for the risk and account of XZS Ltd
- These activities are done under the control and supervision of XZS
- With respect to the IPSA, an IPSA contractor applies a mark-up on total costs (MTC) of 7%.

MLC

- Austria made an initiative for MLC
 - there was already a TP tax audit in process in Austria concerning the local operating entity
- After Selection Meeting held in January 2024 four tax administrations, Austria, Finland, Belgium and Portugal, decided together to execute a Multilateral Control (joint audit) in the operating companies in each MLC country
- MLC took place during years 2024 – 2025 and the audited years concerning XZeusFin were 2019 – 2023



Questions (relating to the case):

1. Does XZS Ltd perform all the functions regarding DEMPE of the Group's IP?
2. Are the local XZeus entities, such as XZeusFin, (legal or beneficial) owners of any intangibles or performing any DEMPE functions of intangibles?
3. How valuable is XZS's IP?
4. Which TP method(s) could be applicable for the royalty transaction under IPLA?
 - a. Could royalty rate of 8.5% under the IPLA be at arm's length?
 - b. Could royalty rate determined by TNMM in IPLA be at arm's length?
5. Is the remuneration of the local operating XZeus entities for the services provided under the IPSA at arm's length?



IOTA Case Study Workshop on “Advanced Transfer Pricing Issues”

29 - 30 April 2026
Budapest, Hungary

CASE STUDY 3 - BELGIUM

Case Submitter:

First name: Jean-Sébastien

Family name: Noville

Organization: Belgium / Federal Public Service Finances of Belgium

Telephone: +32470835469

Email: jeansebastien.noville@minfin.fed.be

Background - Description of the Case:



MSA GROUPBACKGROUND

- Belgian tax audit initiated in April 2023 for FY 2021–2023.
- Unilateral assessment issued in September 2024.
- Case under litigation since last year.
- Follow-up on the assessment is ongoing.



MSA : INTRAGROUP CONTEXT

MSA GROUP

- Trusted partner for European motorists for over 50 years ;
- MSA Group provides innovative, accessible, and sustainable **products and services to both private individuals and professionals** ;
- Active in around **10 countries** in EMEA zone ;
- Sales : more than **3 billion euros**,

MSA : INTRAGROUP CONTEXT

MSA GROUP supply chain summary



MSA : INTRAGROUP CONTEXT

MPROC, Swiss Entity of MSA GROUP, is responsible for:

- **Pre-selecting suppliers referencing** external suppliers' products ;
- **Negotiating** with the pre-selected suppliers and **proceeding** with final selection ;
- **Establishing business relationships** with selected suppliers and **conducting dedicated audits** ;
- **Conducting R&D activities** for products requested by the business units but which do not yet exist.



MSA : INTRAGROUP CONTEXT

- **MPROC** provides services for the benefit of the referenced suppliers ;
- **MLOG** directly signs the purchasing contracts with the suppliers ;
- **MPROC** manages the transport from the warehouses of the selected suppliers to those of **MLOG** with the help of third-party forwarders ;
- **Trading activity** by **MPROC** : purchase of car parts from selected suppliers located in Asia and Eastern Europe, to resell them to **MLOG**. Strong value-adding activity according to the Group.

MSA : INTRAGROUP CONTEXT

MLOG

- Centralization of logistics, sales and distribution, to obtain **significant benefits in terms of purchase prices of car tires (Supply of primary importance** for the Group's Bus).
- For operational reasons, **MLOG** extended its activities to **car spare parts and equipment**.

MSA : INTRAGROUP CONTEXT

BUs

- Automotive centers **distributing spare parts and providing repair and maintenance services**, mainly to private customers.
- BUs have a **purchasing department** that orders products from qualified third-party suppliers, from **MLOG** or from **MPROC** (depending on product ranges).



MSA : INTRAGROUP CONTEXT

BUs

- **BUs may have warehouses** where they stock products purchased from **MPROC** and third-party suppliers.
- Products purchased from **MLOG** are always **directly delivered** to car centers and therefore do not transit through BU's warehouses.

MSA : INTRAGROUP CONTEXT

MPROC remuneration :

Transactional Net Margin Method (TNMM) using EBIT/Sales (not independent of the controlled transaction) as the profit level indicator (even if the documentation shows a TNMM Cost Plus what could be also challenged).

MPROC Segmented P&L (in KCHF)	2020	2021	2022	2023
Turnover	150.716	174.530	242.392	169.167
COGS	-136.448	-157.748	-221.573	-156.228
OPEX	-2.958	-4.906	-6.136	-2.143
Operating profit	11.669	11.875	14.682	10.975
ROS	7,74%	6,80%	6,06%	6,38%

Questions (relating to the case):

- 1) What would you do as a tax auditor in regard of this case ?
- 2) Would you agree with the use of a TNMM using EBIT / Sales as the PLI for a procurement activity ?
- 3) If not, what would you suggest as a more appropriate method and/or PLI ?



IOTA Case Study Workshop on “Advanced Transfer Pricing Issues”

29 - 30 April 2026
Budapest, Hungary

CASE STUDY 4 - SWITZERLAND

Case Submitter:

First name: Jakob

Family name: Lanz

Organization: Switzerland / Swiss Federal Tax Administration FTA

Telephone: +41584624670

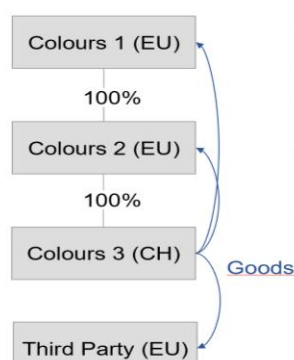
Email: jakob.lanz@estv.admin.ch

Background - Description of the Case:

Content

1. Overview
2. Revenues
3. Margins
4. Documentation
5. Challenges
6. Questions

Overview



- The FTA is conducting an audit of Colours 3 AG for the FY 2017-2020
- During the audit transfer pricing became a focus point
- Upon request the company did not produce sufficient transfer pricing documentation to prove compliance with the arm's length principle
- Colours 3 AG was founded in the 90s and employs around 30 FTE in Switzerland
- The Colour Group is active in the field of finishing and coating paint.
- Challenge from the perspective of the company
 - High degree of heterogeneity in the product range
 - Colours 3 AG services a wide range of customer with different profiles



Revenues (1/2)

Revenues of Colours 3 AG

Year	Total Revenue	Third Party	IC-Revenue	Gross Margin	Net Margin
2017	15 MCHF	13.5 MCHF	1.5 MCHF	28%	1%
2018	16 MCHF	14 MCHF	2 MCHF	30%	1%
2019	17 MCHF	15 MCHF	2 MCHF	32%	2%
2020	17.5 MCHF	15.5 MCHF	2 MCHF	32%	2%

- Gross Margin = Sales revenue – Cost of goods manufactured
- The cost of goods manufactured include material costs and production costs
- Administrative and distribution costs are excluded

Revenues (2/2)

Segmented Revenues

Segment	Total Revenue	Third Party	IC-Revenue
Special paints	7 MCHF	7 MCHF	0
Nitrocellulose paints	3 MCHF	2 MCHF	1 MCHF
Enamel paints	30 MCHF	25 MCHF	5 MCHF
Urethane paints	8 MCHF	6 MCHF	1.5 MCHF
Acrylic paints	17 MCHF	17 MCHF	0
Other	0.5 MCHF	0.5 MCHF	0

- IC revenue for the years 2017-2020 totaling CHF 7.5 million were generated almost exclusively in the nitrocellulose paints, enamel paints, and urethane paints segments.
- Products are sold to end customers, resellers, distributors and industry customers

Margins

High level check of gross margins

Transaction Partners	Total Revenue	Gross margin	Gross margin in %
Third Party	58 MCHF	20 MCHF	35%
IC	7.5 MCHF	0 MCHF	0%
Gesamtergebnis	65.5 MCHF	20 MCHF	30.5%

- Cost for administration and distribution must be paid before deriving an operating profit of 1 MCHF for the period 2017-2020
- Distribution costs consist of
 - Sales and marketing costs, which is exclusively relevant for industry and end customers
 - After sales customer care, which is relevant for all customer groups (including IC-customers) but to a different degree



Documentation

Transfer Pricing Documentation

- Only documentation regarding functions and risks was provided by the taxpayer to the FTA
- The Colours 3 AG provided detailed explanations about its business; The most important information regarding functions and risks are
 - Colours 3 AG assumes all relevant risks for its products
 - Colours 3 AG has its own IP
 - IC-Customers have their own products and IP
 - IC-Customers sell Colours 3 AGs products only in package deals, therefore the contribution of Colours 3 AGs products is subjective
- No transfer pricing documentation regarding transfer pricing methods or benchmarks were provided for the sale of goods to the other group companies.
- Though Colours 3 AG has no complete transfer pricing documentation it has ample accounting and controlling data



Challenges

High degree of heterogeneity in the product range

- Some products are manufactured only for individual customers (with correspondingly better margins)
- Products are sold to end customers, resellers, distributors or industry customers which leads to widely varying margins
- Some products are sold to comparable customers at very different prices, as the Colours 3 AG always tries to achieve the highest possible prices depending on the respective competitive situation.
- Colours 3 AG sells to hundreds of small and large third-party customers

Questions (relating to the case):

1. What is the set-up regarding the burden of proof in your country?
2. How would you analyze the transfer pricing set-up?
 - a. What additional data would you ask for, if any?
 - b. What transfer pricing method would you choose to test the pricing?
 - c. Which comparability issues would you consider within your method? How would you take them into account?
 - d. In case you end up with a range of comparable values: Would you apply statistical tools to narrow the range? How would you narrow the range?