

Group Discussion Session

CASE STUDY 3 - BELGIUM



Group Discussion Session (**GROUP 1**)
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What would you do as a tax auditor in regard of this case?*

- Switzerland only a service provider – does not bear significant risks
- first identify the transactions
- Who has the IP?
- Risk profile of MPROC? For example financing and risks related to that?
- Important is to know which company negotiates the customer agreements and bears the market risks
- MPROC seems to have many important functions but does it make decisions on strategy
- economies of scale is one aspect to consider

Group Discussion Session (**GROUP 2**)
CASE STUDY 3 - BELGIUM

QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What would you do as a tax auditor in regard of this case?*

Context. BUs can purchase spare parts from MPROC or 3rd party suppliers

Therefore, what are MPROC's functions ? Challenge MPROC to understand if it conducts the functions that are described

Group Discussion Session (**GROUP 3**)
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What would you do as a tax auditor in regard of this case?*

Perform a function, assets and risk analysis for MPROC

Negotiates with suppliers but the contracts are signed by MLOG
Research and development activities

Follow the invoicing
External suppliers ~ MPROC ~ MLOG ~ BU

MPROC should be tested party

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *Would you agree with the use of a TNMM using EBIT / Sales as the PLI for a procurement activity?*

- Better PLI would be costs
- Only OPEX
- Or segmentation of procuring (OPEX) and trading activity (total costs)?
- Might be difficult to find benchmarks for only procurement
- For Financing, WACC

Group Discussion Session (**GROUP 2**)
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *Would you agree with the use of a TNMM using EBIT / Sales as the PLI for a procurement activity?*

Cost plus would be more appropriate
Or calculate a Berry Ratio with TNMM, which changes the PLI, and uses the same comparables as the company.

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2. *Would you agree with the use of a TNMM using EBIT / Sales as the PLI for a procurement activity?*

No we don't

MPROC do not have marketing, warehousing or sales. A revenue PLI may not be reflecting the functions of MPROC

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *If not, what would you suggest as a more appropriate method and/or PLI ?*

- Better PLI would be costs
- Segmentation of procuring (OPEX) and trading activity (total costs)?
- For Financing, WACC

Group Discussion Session **(GROUP 2)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *If not, what would you suggest as a more appropriate method and/or PLI ?*

The answer is in question 2

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *If not, what would you suggest as a more appropriate method and/or PLI ?*

The group was divided

Different PLIs
~ EBIT to OPEX
~ ROTC