



# TRANSFER PRICING

How do I approach selecting or developing a Transfer Pricing Documentation management tool?



As a result of the Base Erosion and Profit Shifting Project of the OECD, one of the most significant administrative workloads to manage is the transfer pricing ("TP") documentation and country-by-country reporting.

## What is the problem?

A TP Documentation process is, at its core, simple. The complexity comes with the diversity in TP models, and the scale of the administration process due to the fact that master and local files have to be prepared across a large geographical footprint, and usually between parties within and outside of the multinational company.

Transfer pricing reports and intercompany legal agreements are easy to create electronically. Then they are distributed and reviewed through a chain of email correspondence, downloaded on local computers, altered, emailed back... and so on. This results in loss of version control, lack of standardization, loss of productivity, extended cycle times and the demotivation of those trying to manage both such a process and the document quality.

## What would be worth thinking about in your vendor selection process, or consideration in building your own tool?

In a bird's-eye view, you can distinguish three main types of solutions for compiling TP Documentation:

- A mix of individual text and spreadsheet files (the old and inefficient way)
- Existing (ERP) systems with an added component (the intermediate solution)
- A purpose built, turn-key TP Documentation solution (the new TP solution)

## Mix of individual text and spreadsheet files (e.g. MS Excel)

*Short-term solution, not sustainable over the long term*

This may be the setup that has grown over the past years due to the lack of a better automated alternative. There are advanced capabilities in spreadsheet software to make clever use of the data that is entered in the cells, to assist in building reports for example. Maintaining all those formulas through time, or when there is a change in your corporation, adds extra complications.

Some of the issues you run into already start with gathering the different input from your corporation's locations, complicated version control, and no tracking of progress.

On the other hand, it might be a very practical solution to structure some of the transfer pricing information as a first step.

## Existing (ERP) systems with an added component (e.g. SQL databases)

*Expensive and comprehensive, but a less agile solution*

To make room for the TP Documentation process, some ERP-type systems add a new component to their software suite. Some functionality may not fit in the existing framework and this is then added as standalone separate components.

There is a great risk that compromises will need to be made in available TP Documentation capabilities in order to maintain the existing functionality. This can easily result in extra complexity.

## A purpose-built, turn-key TP Documentation solution

*New generation of technology solutions*

Specifically aimed at supporting the process of TP Documentation compilation, you may expect a purpose-built solution to provide a straightforward, structured environment to collect all required input, re-use as much data as possible, and set out tasks connected to workflows, with dashboards to help you stay in control.



Different delivery models are available in this space. You can choose between the traditional on-premises model, where you need to manage the local installation and updates for the multinational companies' software, or the current Software as a Service (SaaS) model. In case of a SaaS solution you have a much simpler implementation and your provider will manage updates and upgrades. You will always work on the most recent edition without adding to the workload of your internal IT department.

#### Vendor selection tips

When you select your TP Documentation solution, these are some points to watch out for:



#### 1. User adoption: the importance of making things simple

As TP Documentation is an annual activity, most of your business users will not need to access the tool on a daily basis. How easy is the system to navigate? Is what you need in one place or spread over a lot of different screens? How many clicks does it take to complete commonly used tasks? Is not only the document builder digitized, but also the workflow?



#### 2. Configuration: can you input and update your company's business and legal architecture, as well as your users, easily in the solution?

How dependent are you on outside consultants to keep using the solution through the following years? Can you switch to different external transfer pricing advisors, especially at a local level, or are you obliged to have the software providers make the Transfer Pricing Documentation?



#### 3. Control: is there a way to track progress? Can you show that you are in control?

If you work with workflows, you can monitor who is next in line for a task to completion. What kind of dashboard or progress views are offered? Can you see which countries are on track or lagging behind? Which areas, which divisions?



#### 4. Future: how future-proof is the solution?

If software upgrades are discussed, how often are these upgrades released? And will they actually include upgrades in features or just bug fixes? How reputable and big is the software developer's team to ensure a sustainable software solution?



#### 5. Support: how is support arranged?

What are your options if you have to complete a time-critical task and you need urgent assistance?

#### What is TPThings?

Using the latest tools and infrastructure available, TPThings is building its own SaaS solution: a modular setup providing a turn-key solution built from individual components, with a database that can be securely hosted by us, or in your own datacenter.

In simple terms it means eight major digital elements are being developed for intercompany agreements, master and local files:

- **Automation/workflow:** automates and controls documentation creation, review and sign-off processes.
- **Assembly:** manages the actual modular creation, assembly and delivery of data for the intercompany agreements, master and local files.
- **E-signature/approval:** enables parties to securely sign a document.
- **Agreement Collection and Management:** supports collection of digital agreements (repository).
- **Identify:** provides identity proofing for all participants (inside and outside the company).
- **Secure Transaction:** provides a centralized secure transaction center.
- **Audit history:** full, tamper-proof audit trail of tasks and version control that meets evidentiary standards.
- **Enterprise Administration & Control:** enables enterprise provisioning, permissioning, management, and reporting.

The software is now in a proof of concept phase, ready for "lift and shift" early 2016. Experience has shown that going live requires upfront collation and cleansing of some basic system-related information. A web-based demo has been developed to demonstrate what the software looks like and can do. If you would like to have a conversation about your vendor selection process, or the functionality of TPThings, get in touch with us.

#### Want to learn more?

Monica Erasmus

Managing Partner Transfer Pricing

monica.erasmus@tytho.com

Mobile: +31 (0)6 204 088 38

Phone: +31 (0)88 10 11 200



transfer pricing  
things



tytho

bright tax automation | better business

DISCLAIMER: THIS DOCUMENT IS WRITTEN IN GENERAL TERMS AND IS NOT INTENDED TO BE A SUBSTITUTE FOR SPECIFIC ADVICE REGARDING INDIVIDUAL TAX, LEGAL, IT, OR ORGANIZATIONAL MATTERS. IT IS INTENDED AS A GUIDE ONLY, AND THE APPLICATION OF ITS CONTENTS TO SPECIFIC SITUATIONS WILL DEPEND ON THE PARTICULAR CIRCUMSTANCES INVOLVED. ACCORDINGLY, WHERE SPECIFIC ADVICE IS NECESSARY OR APPROPRIATE, CONSULTATION WITH A COMPETENT PROFESSIONAL ADVISOR IS STRONGLY RECOMMENDED. WHILE REASONABLE CARE HAS BEEN TAKEN IN THE PREPARATION OF THIS DOCUMENT, TYTHO B.V. ACCEPTS NO RESPONSIBILITY FOR ANY ERRORS IT MAY CONTAIN, WHETHER CAUSED BY NEGLIGENCE OR OTHERWISE, OR FOR ANY LOSSES, HOWEVER CAUSED, SUSTAINED BY ANY PERSON THAT RELIES ON IT.

COPYRIGHT © 2016 TYTHO B.V. ALL RIGHTS RESERVED.