CORE
CONCEPT

Transfer Pricing for Multinational Groups: Arm's Length Principle, Methods and Documentation

8 – 12 March 2027
Amsterdam - Zuidas business district hotel

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Introduction:

Transfer pricing adjustments are among the largest tax exposures for multinational groups, because tax administrations test whether prices for intragroup goods, services, intangibles and loans follow the arm's length principle. Groups that set intercompany prices without a functional analysis or a defensible benchmarking study face double taxation, penalties and long audits. This Core Concept course takes tax and group finance practitioners through the OECD Transfer Pricing Guidelines, from delineating controlled transactions to method selection, benchmarking and documentation. Participants build a Transfer Pricing Benchmarking and Local File Workbook for a real controlled transaction.

Course Objectives:

- Identify and delineate the controlled transactions of a multinational group from intercompany agreements and actual conduct, applying the arm's length principle as the OECD Transfer Pricing Guidelines state it
- Conduct a functional analysis of functions performed, assets used and risks assumed, and characterise each group entity accordingly
- Select and apply the most appropriate transfer pricing method among CUP, resale price, cost plus, TNMM and profit split, including the choice of tested party
- Perform a benchmarking study with database screening, profit level indicators and an interquartile arm's length range
- Price intragroup services and intragroup financing using benefit tests, cost allocation keys and comparable interest rate evidence
- Prepare master file and local file content, anticipate audit questions and choose dispute avoidance routes such as advance pricing agreements and the mutual agreement procedure

Target Audience:

- Tax managers accountable for intercompany pricing policies and group tax positions
- Group finance and controlling managers who set, invoice and settle intercompany charges
- Transfer pricing leads responsible for benchmarking studies and documentation files
- Shared service and treasury managers responsible for service recharges, intragroup loans and guarantees
- Tax risk and internal audit managers reviewing intercompany transaction controls

Course Outline:

Day 1: Arm's Length Principle and Controlled Transactions

- Arm's Length Principle under Chapter I of the OECD Transfer Pricing Guidelines
- Related-Party Mapping: Group Structure Chart and Controlled Transaction Inventory
- Accurate Delineation of Transactions from Intercompany Agreements and Conduct
- Double Taxation, Profit Shifting and Primary Adjustment Exposure
- Transfer Pricing Risk Heat Map for Current Intercompany Flows

Day 2: Functional Analysis and Transfer Pricing Methods

- Functional Analysis Interviews and the Functions, Assets and Risks FAR Matrix
- Risk Control Framework and Entity Characterisation: Distributor, Manufacturer, Entrepreneur
- Traditional Transaction Methods: CUP, Resale Price and Cost Plus
- Transactional Profit Methods: TNMM and Transactional Profit Split
- Most Appropriate Method Selection Matrix and Tested Party Choice

Day 3: Comparability Analysis and Benchmarking Studies

- Chapter III Comparability Factors: Contract Terms, Characteristics and Economic Circumstances
- Commercial Database Search Strategy: Screening Criteria and Rejection Matrix
- Profit Level Indicators: Operating Margin, Net Cost Plus and Berry Ratio
- Interquartile Range Calculation, Multiple-Year Data and Median Point Adjustments
- Working Capital Comparability Adjustment Model

Day 4: Intragroup Services, Financing, Documentation and Disputes

- Chapter VII Intragroup Services: Benefit Test, Shareholder Activities and Cost Pools
- Low Value-Adding Intragroup Services Simplified Approach and Allocation Keys
- Chapter X Financial Transactions: Intragroup Loans, Credit Ratings, Guarantees and Cash Pooling
- Chapter V Documentation: Master File, Local File and Country-by-Country Report
- Chapter IV Dispute Avoidance: Transfer Pricing Audits, APAs and Mutual Agreement Procedure

Day 5: Modelling Build and the Benchmarking and Local File Workbook

- Consumer Goods Distribution Case: TNMM Benchmark for a Limited-Risk Distributor
- Shared Services Centre Case: Cost Base and Mark-Up Allocation Model
- Intercompany Loan Case: Interest Rate Range from Comparable Debt Data
- Transfer Pricing Benchmarking and Local File Workbook Assembly
- Audit Defence Panel: Peer Challenge of Method, Range and Year-End Adjustment

Skills You Will Gain:

- Controlled Transaction Delineation
- FAR Analysis
- Transfer Pricing Method Selection
- Comparable Company Screening
- Arm's Length Range Analysis
- Intercompany Cost Allocation
- Intragroup Loan Pricing
- Transfer Pricing Audit Defence

Why Attend This Course:

- Return with a Transfer Pricing Benchmarking and Local File Workbook built around one of your own controlled transactions
- Explain to auditors and tax inspectors why each method, tested party and comparable was chosen
- Spot intercompany charges and loan terms likely to be challenged and correct them through year-end adjustments before filing
- Compare intercompany pricing practice with peers from manufacturing, trading, services and financial groups across several countries

Conclusion:

Transfer pricing positions hold up only when the delineated transaction, the functional analysis, the chosen method and the comparables tell one consistent story. This course moves from the arm's length principle and controlled transaction mapping, through functional analysis and the five methods, to benchmarking, intragroup services, intragroup financing, documentation and dispute avoidance. The final day applies these methods to multi-sector cases and produces a Transfer Pricing Benchmarking and Local File Workbook that participants can maintain and defend in their next audit.