



ERNST & YOUNG
Quality In Everything We Do

2007–2008 Global Transfer Pricing Survey

Global Transfer Pricing Trends, Practices, and Analyses



Contents

2007 Key Global Findings.....	1
Global Legislative and Enforcement Trends in Transfer Pricing.....	3
Transfer Pricing Dominates the Agenda	9
Transfer Pricing Audit Experiences	12
Transfer Pricing Documentation and Controversy Risk Management Practices	15
Convergence of Customs and Transfer Pricing.....	19
Internal Transfer Pricing Adjustment Practices	21
Impact of Financial Reporting Requirements on Transfer Pricing	22
Country-Specific Findings.....	25
Asia-Pacific.....	26
Australia	26
China	28
India.....	30
Japan.....	32
Republic of Korea.....	34
New Zealand.....	36
Americas.....	38
Argentina.....	38
Brazil	40
Canada.....	42
Mexico.....	44
United States	46
Europe.....	48
Belgium	48
Denmark.....	50
Finland.....	52
France	54
Germany.....	56
Ireland.....	58
Italy.....	60
Netherlands.....	62
Norway	64
Spain.....	66
Sweden	68
Switzerland.....	70
United Kingdom.....	72
Methodology.....	74
Ernst & Young Transfer Pricing and Tax Effective Supply Chain Management Country Contacts	77
Ernst & Young's Global Transfer Pricing and Tax Effective Supply Chain Management (TESCM) Group.....	79



2007 Key Global Findings

Since 1995, Ernst & Young has surveyed multinational enterprises (MNEs) on international tax matters, with special emphasis on what continues to be the number one international tax issue of interest to them—transfer pricing. The scope of our biennial transfer pricing research reflects the growing number of countries that devote attention to transfer pricing through increased enforcement and regulatory activity, as well as the diversity of transfer pricing issues facing MNEs.

In 2007, we commissioned Consensus Research International to conduct independent interviews with 850 MNEs across 24 countries. This report summarizes tax departments' transfer pricing practices, perceptions, and audit experiences, and provides insights into how MNEs are dealing with the economic, regulatory, and fiscal changes taking place around the world.

We trust that you will find our 2007 Survey results interesting and informative.



Thomas Borstell
Global Director
Transfer Pricing Services



John Hobster
Head of Global Accounts
Transfer Pricing and
Tax Effective Supply Chain
Management

Importance of Transfer Pricing

- Forty percent of all respondents identified transfer pricing as the most important tax issue facing their group, more than any other tax issue.
- Seventy-four percent of parent and 81% of subsidiary respondents believe that transfer pricing will be “absolutely critical” or “very important” to their organizations over the next two years.
- Sixty-five percent of parent respondents believe that transfer pricing documentation is more important now than it was two years ago.
- Two-thirds of parent respondents have experienced an increased need for transfer pricing resources in the last three years, with 74% meeting these needs through increased reliance on external advisors.

Audit Experiences

- Over half (52%) of all respondents have undergone a transfer pricing examination since 2003, with 27% resulting in adjustments by tax authorities.
- Intercompany services transactions are the most susceptible to audit by tax authorities.
- In audit cases resulting in adjustments, parent respondents indicated that tax authorities threatened to impose penalties in 31% of cases, and penalties were actually imposed in 15% of cases.
- Parent respondents reported that tax authorities requested access to operational personnel in 36% of examinations.
- While 90% of parent companies believe that intercompany agreements are important in supporting their transfer pricing positions, they reported that tax auditors requested them in only 7% of examinations.
- Based on their audit experiences, 72% of respondents believe the level of transfer pricing expertise within tax authorities is “good” to “very good.”
- Seventy-eight percent of all respondents believe a transfer pricing audit is likely in the next two years.

Taxpayer Approaches

- Only one-third of parent respondents prepare their transfer pricing documentation on a concurrent, globally coordinated basis.
- Most respondents consider risk mitigation to be their highest priority in preparing their transfer pricing documentation.
- More parent companies use local benchmarks for all countries than pan-regional comparables sets.
- Taxpayers favor mechanisms to adjust taxable income to the arm's-length range. Some adjustments are challenged widely, but in most cases (two-thirds), they are ultimately accepted.

Controversy Management

- Only 21% of parent respondents use Advance Pricing Agreements (APAs) as controversy management tools; however, 86% of those who have used APAs would do so again.
- APA applications are increasing and resolutions are becoming swifter, especially in the case of unilateral APAs.
- Only 16% of respondents have referred a transfer pricing dispute to Competent Authority since 2003.

- Competent Authority is nevertheless the preferred method to resolve transfer pricing disputes (47%). Thirty-one percent of all respondents prefer APAs as a means to resolve transfer pricing disputes, while only 8% prefer litigation.
- Competent Authority cases are being resolved more quickly than was indicated in any of our previous surveys.
- Only 3% of respondents have litigated a transfer pricing matter since 2003.

Interaction between Customs and Transfer Pricing

- Nineteen percent of parent respondents have had their customs pricing challenged based on their transfer pricing for the same goods, or vice versa.
- A significant number of transfer pricing adjustments enforced by the tax authorities do not result in correlative adjustments to customs values.
- Of parent respondents who have had their product prices adjusted by a tax or customs authority, one-third were aware of information exchange between the two authorities.

Impact of Financial Reporting on Transfer Pricing

- Eighty-seven percent of all respondents consider transfer pricing to be a risk issue in relation to managing their financial statement risk.
- Over half (53%) of all respondents indicated that developments in financial reporting requirements have increased the cost of their transfer pricing compliance.
- As a result of developments in financial reporting, 44% of parent respondents have increased their reliance on their audit firm for transfer pricing advice.

Global Legislative and Enforcement Trends in Transfer Pricing

Tax departments are under increasing pressure to manage transfer pricing risks with greater precision, yet a rapidly developing regulatory environment, new enforcement tactics, and shifting fiscal policies make this ever more complex to achieve.

The degree of transparency in MNEs' tax and transfer pricing positions, largely driven by developments in financial and tax disclosure requirements, has dramatically increased in recent years. Both accounting and tax regulators have intensified the burden on MNEs to actively report and justify the impact of their tax planning. Recent examples include the FASB's June 2006 issuance of FIN 48, which mandates a framework for recognizing, measuring, and disclosing tax positions in US GAAP financial statements, and the IRS's introduction of Schedule M-3, which requires reconciliation of book-tax differences.

The necessity for tax departments to focus on transfer pricing risk management is elevated by a global trend toward tax authority collaboration and information exchange. New multilateral initiatives focused on cross-border enforcement, particularly as it applies to underreported income, show that tax authorities no longer take a parochial view of administration but are becoming more inclined to consider global consequences. In September 2006, the 39 member countries that compose the Organization for Economic Co-operation and Development's (OECD) Forum for Tax Administration adopted the "Seoul Declaration." The Seoul Declaration commits the member countries to cross-border information-sharing and improved "practical cooperation" to counter noncompliance. Other examples of formal, multilateral information-exchange initiatives include the Joint International Tax Shelter Information Centre,¹ the Seven Country Working Group on Tax Havens,² and the Leeds Castle Group.³ In March 2007, Brazil and the US signed a tax information-exchange agreement, which stemmed from informal discussions between the two countries' tax

authorities about transfer pricing, permanent establishment, and other issues. At a recent technology and tax conference, OECD and IRS officials jointly stressed the increasing importance for tax authorities to improve information exchange to combat, among other abuses, the manipulation of transfer prices.⁴

This increased collaboration among tax authorities on information exchange, however, does not necessarily address fundamental differences among them in how the information is applied. **Inconsistencies in the interpretation and application of information, as well as the underlying transfer pricing rules themselves, continue to cause incompatible compliance burdens and risk of double taxation.** US taxpayers, for example, are required to include stock-based compensation in the cost base when applying cost- or profit-based methods, but many other countries do not accept this treatment of stock-based compensation as being consistent with the arm's-length standard.⁵ Brazil remains the only major global trading partner that does not subscribe to the arm's-length standard, which exposes MNEs who do business in that country to double taxation and inconsistent and onerous compliance obligations.

While there is considerable alignment on macro-conceptual issues, such as the attractiveness of the arm's-length standard, interpretation and practical application can diverge widely from one jurisdiction to another. This dilemma is apparent in the swelling of unresolved US-Canada transfer pricing cases over recent years. In 2005, the IRS and the Canada Revenue Agency unsuccessfully attempted to resolve their procedural and factual disputes via memoranda of understanding. In September 2007, the two countries signed the fifth protocol to the US-Canada income tax treaty, which provides a procedural framework for manda-

¹ Member countries include Australia, Canada, the United Kingdom, and the United States.

² Member countries include Australia, Canada, France, Germany, Japan, the United Kingdom, and the United States.

³ Member countries include Australia, Canada, China, France, Germany, India, Japan, South Korea, the United Kingdom, and the United States.

⁴ See 2007 TNT 194-4. On October 4, 2007, Grace Perez-Navarro, deputy director, OECD Centre for Tax Policy and Administration, and Frank Ng, IRS deputy commissioner, Large and Midsize Business (International), discussed developments in tax authority information exchange at a conference sponsored by the University of Michigan's Office of Tax Policy Research and the American Tax Policy Institute.

⁵ Canada, for example, has specifically indicated that it will disallow deductions for stock-based compensation.

tory, binding arbitration to resolve the double taxation cases that have built up between them. The inability of the US and UK Competent Authorities to reach compromise in the GlaxoSmithKline case seems to be another example of tax authorities adopting fundamentally divergent views about a transfer pricing issue that is likely relevant to many taxpayers. MNEs are effectively “caught in the middle” as taxing authorities implement regulatory and enforcement strategies to bolster their taxing rights and compete with one another.

The difficulties arising from jurisdictional asymmetry in transfer pricing approaches are compounded by the sheer volume of new rules being introduced. Since January 2006, over 30 countries have released new, supplemental, or proposed transfer pricing rules (see Figure 1).⁶ Figure 2 shows the growing list of countries with effective transfer pricing documentation rules; most have also adopted penalty provisions for noncompliance. The OECD has also been prolific, having issued guidance and discussion documents related to attribution of profits to permanent establishments, the tax treaty treatment of intercompany services, comparables analysis, and the use of transactional profit methods. The emerging movement toward joint customs and transfer pricing enforcement is also likely to increase the level of complexity necessary to satisfy compliance standards. A number of countries, including Canada, Norway, Spain, Sweden, and the UK, have integrated tax and customs administrations. The progression toward joint transfer pricing and customs examinations, however, appears to be unfolding with a general lack of clarity and consensus regarding the alignment of customs and transfer pricing values and documentation requirements.

The above trends are developing against a backdrop of changing fiscal policies that are intended to ensure that foreign MNEs contribute to the local tax base. **Some countries that formerly based their fiscal strategies on attracting foreign investment via favorable tax rulings and tax holidays are shifting focus toward aggressively asserting**

taxing jurisdiction over the companies that have committed to doing business in their countries.

In China, for example, transfer pricing has become a significant risk management and planning issue for many MNEs where it was once relatively trivial. In February 2007, China’s tax authority issued a notice to its field auditors mandating close investigation of foreign-owned manufacturers that report losses or marginal profitability.⁷ Meanwhile, despite having increased revenue targets, countries such as Australia and the US have recently liberalized controlled foreign corporation rules in order to remain attractive to locally headquartered companies.

From 2000 to 2006, the average statutory corporate tax rate for OECD countries declined from 33.6% to 28.4%.⁸ However, total tax revenues as a percentage of GDP for these countries have remained relatively stable, which may validate the effectiveness of lower tax rates as a means to attract a larger tax base as well as reflect increased tax enforcement. The increased disclosure requirements and multilateral information-exchange initiatives have given tax authorities greater visibility into MNEs’ operations and transfer pricing planning strategies. Our 2007 Survey results show a movement toward audit challenges that (a) are more closely based on the underlying business operations; (b) involve tax authority use of profit-split methodologies that take into account the entire supply chain; and (c) are generally much more technically focused and successful.

More than ever, MNEs must “think globally and act locally” when it comes to their transfer pricing planning.

⁶ See Figure 1 for a summary of transfer pricing regulatory developments by country between January 2006 and October 2007. Further information regarding this topic is available in our *Global Transfer Pricing Reference Guide* at www.ey.com/transferpricingreferenceguide.

⁷ China’s Unified Tax Law, which effectively renders domestic and foreign companies subject to the same taxation regime, becomes effective 1 January 2008.

⁸ Source: OECD

Figure 1: Overview of New, Supplemental, and Proposed Transfer Pricing Rules Issued since January 2006 by Country

Asia-Pacific		
Australia		
Jan-06		Guidelines on determining compensation for marketing intangibles
Apr-06		Guidance on deductibility of intercompany service fees
Apr-06		Ruling on related-party service agreements
China		
Mar-06		Notice clarifying determination of Permanent Establishment (PE) in tax agreements
Jul-06		Ruling clarifying PE determination for periods when affiliates furnish services
Sep-06		Circular indicating that transfer pricing adjustments could result in deemed dividends
Feb-07		Notice requiring close review of limited risk manufacturers reporting losses, low profits
Mar-07		Transfer pricing provisions of New Enterprise Income Tax Law adopted
Mar-07		Circular issued regarding intensification of audit activity on certain enterprises
India		
Apr-07		Amendments regarding increased time limit for completing transfer pricing audits
May-07		Circular on Joint Working Group for Customs and Transfer Pricing
Aug-07		Notification to increase transfer pricing officers for audits
Japan		
Mar-06		Revised guidelines on intangible contributions, cost-sharing
Jun-07		Amended guidelines on role of intangibles and clarification of APA procedures
Philippines		
Jan-06		Revenue Memorandum Order prescribing guidelines and procedures in the conduct of benchmarking of industries and adopting/implementing the performance benchmarking method by Revenue District Offices
Aug-06		Submission of the draft transfer pricing regulations by the Philippine Bureau of Internal Revenue to the Department of Finance for final review and approval
Rep. of Korea		
May-06		Amendments regarding substance-over-form, cost-sharing, APAs effective
Aug-06		Revised rules regarding services, IP transfers, cost-sharing adopted
Dec-06		Ministry of Finance and Economics Enforcement Decree update related to the Presidential Enforcement Decree (PED) update adopted
Singapore		
Feb-06		Transfer Pricing Guidelines were released by the Inland Revenue Authority of Singapore (IRAS). The guidelines are based on the OECD Transfer Pricing Guidelines and focus on the arm's-length principle, documentation, MAP, and APAs
Taiwan		
Sep-07		Ruling on application for APA and relevant attachment templates
Vietnam		
Jan-06		Transfer Pricing (TP) rules on methods and documentation effective (Circular 117)
Americas		
Canada		
Feb-06		Memorandum providing guidance regarding PE determinations in Canada
Oct-06		Memorandum clarifying reasonable effort necessary to comply with transfer pricing rules
Oct-06		Information circular on transfer pricing and customs valuation
Sep-07		Memorandum restricting application of potential APA rollbacks to prior taxation years

Americas (continued)

Colombia

Jan-06 Administrative order establishing legal framework for APAs enacted

Dominican Rep.

Jan-07 Tax code amended to include transfer pricing rules, allow for APAs for certain industries

Mexico

Jan-06 Law requiring use of the best-method rule became effective

Peru

Jan-06 Transfer pricing regulations enacted; documentation rules introduced. Legal framework for unilateral APAs also adopted

Oct-06 De minimis rule established for TP documentation obligations. Exception to TP disclosure obligation enacted

Uruguay

Jul-07 New transfer pricing regime, rules on methods effective

US

May-06 Revenue procedure updating procedure for seeking double tax relief involving US possessions

Nov-06 Revised revenue procedure for Competent Authority double tax relief

Dec-06 Notice postponing effective date for certain provisions of services and intangibles rules

Dec-06 Revenue procedure on expanded list of specified covered services eligible for Services Cost Method

Jan-07 Most provisions of revised services and intangibles regulations became effective

Mar-07 Advisory memorandum regarding taxpayer use of §482 and commensurate-with-income standard

Apr-07 Directive on Tier 1 issue regarding offshore intangibles transfers

Sep-07 Notice on proposed intercompany loan rules

Sep-07 Coordinated issue paper on cost-sharing buy-in adjustments

Europe/Middle East

Belgium

Nov-06 Circular listing audit triggers, collecting documentation, and data requests

Czech Rep.

Jan-06 Decree introducing APA program

Denmark

Jan-06 New documentation rules effective

Estonia

Jan-07 Detailed transfer pricing regulations enacted, with the requirements for TP documentation included

Finland

Jan-07 New documentation rules effective

France

Nov-06 Announcement clarifying procedures for small, mid-sized firms seeking APAs

Jan-07 Revised thin capitalization rules effective

Germany

Jul-06 Circular providing guidance and clarification regarding mutual agreement and EU arbitration procedures

Oct-06 Circular providing guidance and clarification regarding APAs

Europe/Middle East (continued)

Aug-07	Tax bill introducing severe rules on cross-border business restructurings including commensurate-with-income standard, and expanded legislation on various transfer pricing issues (effective as of tax year 2008)
Israel	
Nov-06	Transfer pricing regulations enacted for the first time, arm's-length standard and TP documentation rules adopted
Nov-07	Intercompany transaction affirmation form requiring disclosure of certain information regarding intercompany transactions published. The form must be attached to tax returns for tax years commencing in 2007
Italy	
Mar-06	Ruling clarifying that transfer pricing rules apply to intra-group interest not subject to PE rules
Jul-06	Rulings clarifying deductibility of tax haven transactional costs
Netherlands	
Jan-07	Rules providing lower tax rates for related-party interest and royalty income effective
Norway	
May-07	Proposed documentation rules
Poland	
Jan-06	APA program introduced
Jan-07	APA, documentation rules extended to cover PEs
Romania	
Jun-07	Decree outlining rules for APA program
Russia	
Mar-07	Amendments to transfer pricing rules proposed
Mar-07	Letter indicating that transfer pricing rules do not permit assessments for no interest loans
Spain	
Jan-07	New documentation and penalty rules effective
Jul-07	Draft rules clarifying comprehensive transfer pricing legislation
Sweden	
Jan-07	New documentation rules effective
Turkey	
Jan-07	Rules adopting arm's-length standard, methods, documentation requirements, APA program effective
Jul-07	Draft guidance on how to comply with proposed transfer pricing rules
UK	
May-07	Draft statement on unilateral thin capitalization APAs
Jun-07	Consultation on implementation by HMRC of risk-based approach to transfer pricing

OECD

Dec-06	Report on Attribution of Profits to PEs, parts I-III
Dec-06	Proposed commentary changes on tax treaty treatment of services
May-06	Draft issue notes on comparability and use of transactional profit methods
Feb-07	Report on Improving Resolution of Tax Treaty Disputes
Aug-07	Revised Draft Report on Attribution of Profits to PEs, part IV

Figure 2: Countries with Effective Documentation Rules⁹

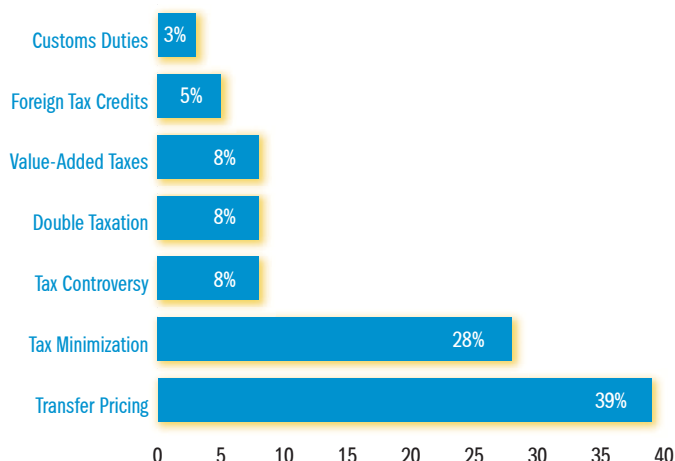
1994-1997	1998-2000	2001-2002	2003-2004	2005-2007	Expected Soon
US	US	US	US	US	China
Australia	Australia	Australia	Australia	Australia	Russia
France	France	France	France	France	
Mexico	Mexico	Mexico	Mexico	Mexico	
Brazil	Brazil	Brazil	Brazil	Brazil	
	Canada	Canada	Canada	Canada	
	S. Korea	S. Korea	S. Korea	S. Korea	
	UK	UK	UK	UK	
	Denmark	Denmark	Denmark	Denmark	
	Venezuela	Venezuela	Venezuela	Venezuela	
	S. Africa	S. Africa	S. Africa	S. Africa	
	Germany	Germany	Germany	Germany	
	Belgium	Belgium	Belgium	Belgium	
	Argentina	Argentina	Argentina	Argentina	
		Japan	Japan	Japan	
		Poland	Poland	Poland	
		Kazakhstan	Kazakhstan	Kazakhstan	
		India	India	India	
		Portugal	Portugal	Portugal	
		Colombia	Colombia	Colombia	
		Netherlands	Netherlands	Netherlands	
		Thailand	Thailand	Thailand	
			Malaysia	Malaysia	
			Indonesia	Indonesia	
			Norway	Norway	
			New Zealand	New Zealand	
			Peru	Peru	
			Spain	Spain	
			Taiwan	Taiwan	
			Hungary	Hungary	
			Lithuania	Lithuania	
				Ecuador	
				Vietnam	
				Singapore	
				Sweden	
				Israel	
				Finland	
				Estonia	

⁹ Effective indicates that either the country has specific legislation or regulations requiring transfer pricing documentation or other guidance strongly suggests that transfer pricing documentation should be in place.

Transfer Pricing Dominates the Agenda

Ernst & Young's 2007 Survey findings continue to demonstrate the high degree of importance that tax directors place on transfer pricing. **Globally, more parent companies identified transfer pricing as the most important tax issue they faced than any other issue.**

Figure 3: Most Important Tax Issues for Tax Directors (Parents)



Regionally, 42% of European and 44% of Asia-Pacific parent respondents ranked transfer pricing as their leading issue. On a country basis, Germany and Switzerland stand out, with 76% of parent respondents for both countries identifying transfer pricing as the most important tax issue. As with other topics within the Survey, Brazil's results here are somewhat anomalous, with only 4% of parents ranking transfer pricing as the top issue, which is perhaps explained by the country's formulaic transfer pricing regime.

Figure 4: Growth in Importance of Transfer Pricing (Parents)

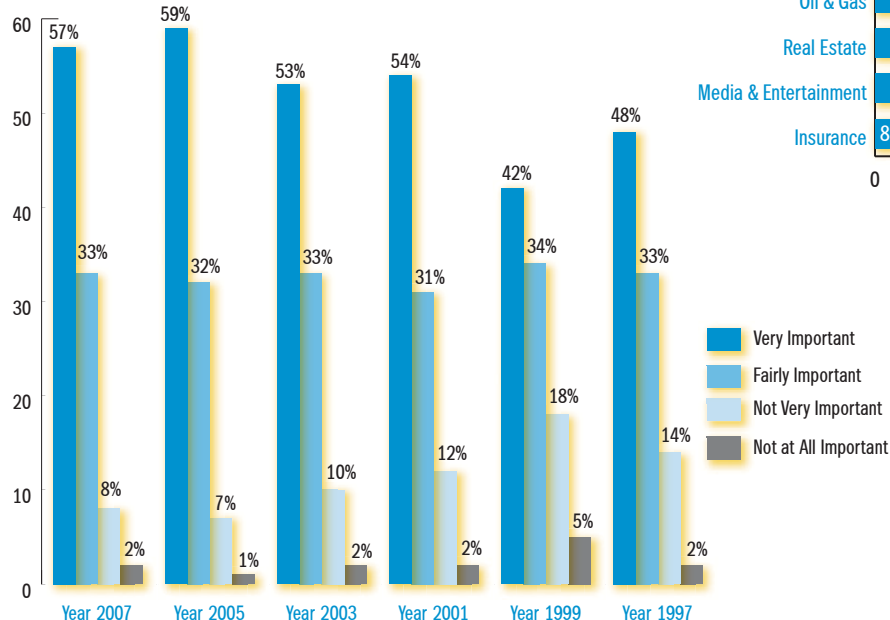
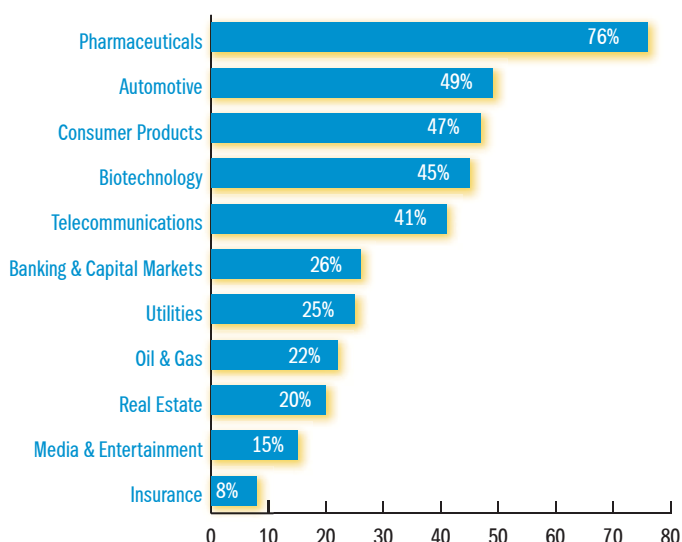


Figure 4 shows the growth in the level of importance that tax directors place on transfer pricing as indicated by our last six surveys.

The level of importance that MNEs place on transfer pricing can vary considerably by industry. According to the 2007 Survey results, transfer pricing is the most important issue for 76% of parent respondents in the Pharmaceutical sector, but only 8% of parent respondents in the Insurance sector. The Pharmaceutical findings may be reflective of a highly complex value chain that tends to yield significant portable profit and somewhat unclear taxing jurisdiction. This is further evidenced by the high-profile IRS transfer pricing cases involving GlaxoSmithKline and Merck & Co. The Insurance sector results may be due in part to the industry's regulatory environment. Many insurance companies are subject to solvency rules that largely dictate the level of income that must reside in their entities, which may account for this sector placing less emphasis on transfer pricing issues.

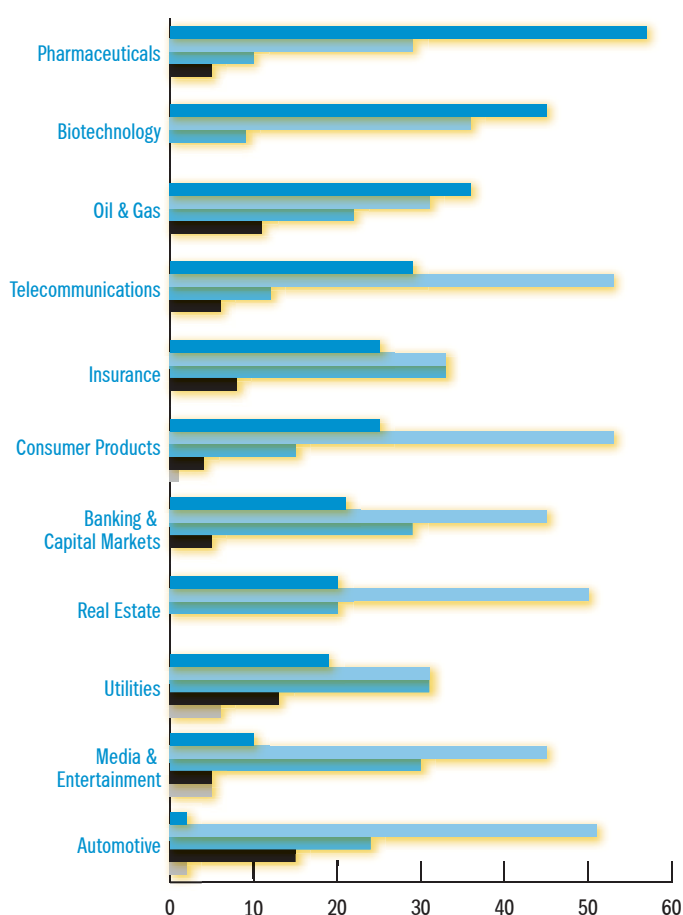
Figure 5: Importance of Transfer Pricing to Tax Directors by Industry (Parents)



Most Important Issue in the Next Two Years

In addition to its current level of importance, 74% of parent respondents believe that transfer pricing will be “absolutely critical” or “very important” to their organizations over the next two years. Over half of the respondents from Canada (67%), China (67%), Germany (62%), Ireland (55%), and Switzerland (52%) believe that transfer pricing will be “absolutely critical” to their organizations over the next two years.

Figure 6: Importance of Transfer Pricing in the Next Two Years by Industry (Parents)



	Absolutely Critical	Very Important	Fairly Important	Not Very Important	Not at All Important
Automotive	2%	51%	24%	15%	2%
Banking & Capital Markets	21%	45%	29%	5%	0%
Biotechnology	45%	36%	9%	0%	0%
Consumer Products	25%	53%	15%	4%	1%
Insurance	25%	33%	33%	8%	0%
Media & Entertainment	10%	45%	30%	5%	5%
Oil & Gas	36%	31%	22%	11%	0%
Pharmaceuticals	57%	29%	10%	5%	0%
Real Estate	20%	50%	20%	0%	0%
Telecommunications	29%	53%	12%	6%	0%
Utilities	19%	31%	31%	13%	6%

Transfer Pricing's Profile Within the Organization

Increased compliance burdens and enforcement activity appear to be stretching tax department resources. Sixty-five percent of all respondents have seen an increased need for transfer pricing resources over the past three years, with 72% meeting the need through increased reliance on external advisors and 34% by hiring in-house resources.

In addition to the increasing need for resources, the changes in the transfer pricing environment have led some companies to reconsider where the responsibility for transfer pricing should lie. Transfer pricing remains predominantly a tax department responsibility. However, 19% of parent respondents indicated that this responsibility has changed in the past two years. An increasing number of organizations appear to be shifting ultimate responsibility for ensuring that transfer pricing is compliant with tax laws to their financial directors, chief financial officers, or audit committees. The shift may be driven in part by the greater emphasis generally being placed on managing financial reporting-related risks. Figures 7 and 8 show the shift in responsibilities between 2005 and 2007.

Figure 7: Responsibility for Transfer Pricing Within the Organization (Parents)—2005

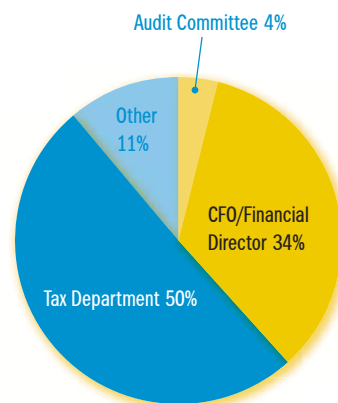
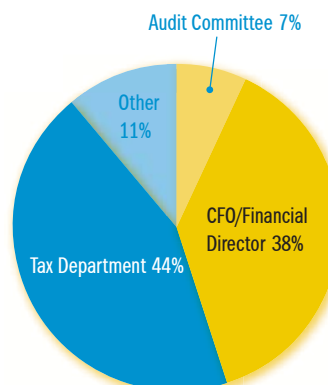


Figure 8: Responsibility for Transfer Pricing Within the Organization (Parents)—2007



Transfer Pricing Audit Experiences

Our 2007 Survey results show a movement toward audit challenges that are more closely based on the underlying business operations; involve tax authority use of profit-split methodologies that take into account the entire supply chain; and are generally much more technically focused and successful.

How Likely Is a Transfer Pricing Audit?

More than half (52%) of all respondents have undergone a transfer pricing examination since 2003. Of those with known outcomes, 28% of parent and 23% of subsidiary audits resulted in adjustments. The 2007 Survey results show that Netherlands-headquartered companies are the most vulnerable to transfer pricing audits, with 84% having experienced an examination since 2003 somewhere in the world. This may be due in part to the Dutch tax authority's having established a dedicated audit enforcement team in recent years. A number of other key jurisdictions have also shown intense transfer pricing audit activity in recent years. Two-thirds or greater of the respondents headquartered in Canada (81%), France (76%), Switzerland (76%), the UK (75%), and the US (82%) have had a transfer pricing audit somewhere in their global operations since 2003.¹⁰ As with the Netherlands, the high likelihood of a transfer pricing audit indicated by these respondents is likely a product of formal or informal enforcement initiatives. US parent respondents indicating they had undergone a transfer pricing exam have increased from 71% in our 2003 Survey to 82% in our 2007 Survey. The IRS's 2003 directive requiring examiners to request transfer pricing documentation in large and mid-size business audits is at least partly responsible for this result.

The increase in enforcement also appears to be occurring as audit approaches are becoming more efficient. The transfer pricing review process in many countries is becoming more streamlined as taxing authorities are deploying automated risk diagnostic tools to select audit targets. These diagnostic tools are based on varying data sources, such as questionnaires (Belgium, New Zealand, Chile), information returns (Australia, Brazil), and statutory filings by certified third parties (Mexico, Argentina).

Consistent with the overall trend of increased transfer pricing enforcement, parent respondents generally believe that they stand a greater likelihood of being audited in the future than they have in the past (see Figure 9). Although only 52% of German parent respondents have undergone a transfer pricing exam since 2003, for example, 100% believe that an exam is likely in the next two years. Globally, 78% of all respondents believe a transfer pricing audit is likely in the next two years.

Figure 9: Likelihood of a Transfer Pricing Examination in the Next Two Years (Parents)

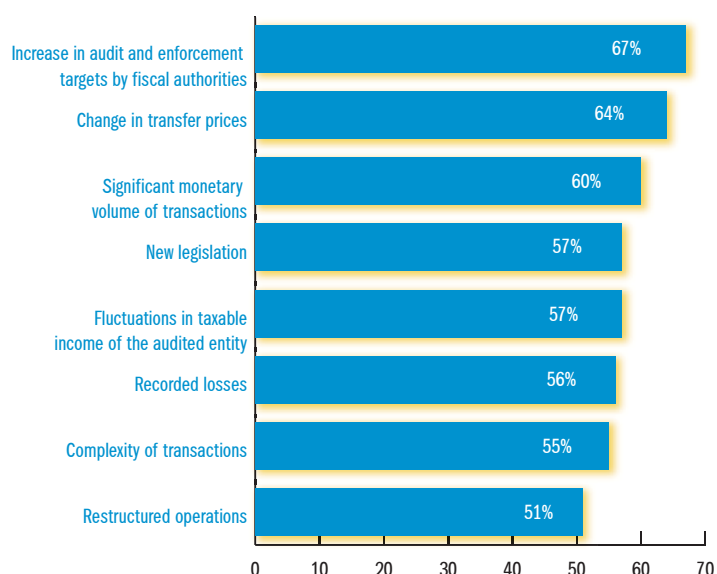
Canada	84%
Denmark	89%
France	92%
Germany	100%
Netherlands	92%
Norway	92%
Sweden	88%
Switzerland	100%
UK	87%
US	92%

¹⁰ See the "Country-Specific Findings" section of this document for additional results on individual countries.

What Are the Audit Triggers?

When asked which circumstances are most likely to trigger transfer pricing disputes with tax authorities, both parent and subsidiary respondents agreed that an “increase in audit and enforcement targets by fiscal authorities” is the leading cause (see Figure 10).

Figure 10: Circumstances Most Likely to Trigger Transfer Pricing Disputes (Parents)



Based on their audit experiences, MNEs have developed reliable perceptions regarding the audit vulnerability of the various types of intercompany transactions. **Over the last ten years, administrative or management services stand out as becoming increasingly viewed as particularly susceptible to transfer pricing disputes.** While a comparison of the 2007 and 1997 Survey results shows that almost all transactions are perceived as being more vulnerable now than ten years ago, there was a 74% increase in the number of parent respondents identifying administrative or management services as targets.

Figure 11: 2007–1997 Comparison of Transactions Perceived by Parents as Particularly Susceptible to Transfer Pricing Disputes with Tax Authorities in Head Office Country (Parents)

	2007	1997	Relative Change
Administrative or managerial services	54%	31%	74%
Intercompany financing	41%	25%	64%
Technical services	36%	24%	50%
Transfer or sales of finished goods for resale	36%	33%	9%
License of intangible property	35%	24%	46%
Technology cost-sharing agreements	25%	21%	19%
Commission for sales/transfer of goods	25%	20%	25%
Sales of raw materials or components between group companies	21%	25%	-16%

Parent respondents’ actual audit experiences validate their perception regarding the growth in relative examination risk of intercompany services. Our 2007 Survey results show that intercompany services have replaced tangible goods transactions as the most common form of transaction reviewed by auditors.

Figure 12: Types of Transactions Audited (Parents)

Intercompany services	55%
Transfer or sales of tangible goods	50%
License of intangible property	21%
Intercompany financing/financial transactions	12%
Technology cost-sharing agreements	8%

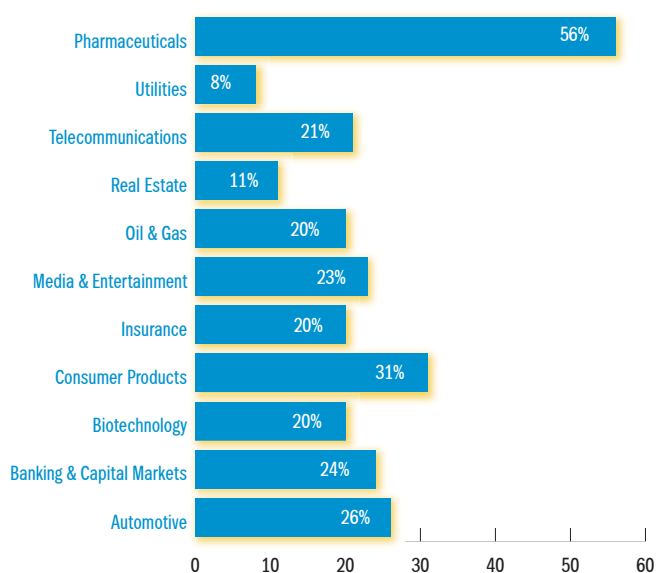
Parent respondents’ collective perception regarding the relative audit risk of intercompany financing transactions is significantly less reliable than for services transactions. Forty-one percent of parent respondents believe that intercompany financing transactions are susceptible to audit, but actual experience shows these transactions are reviewed in only 12% of cases.

Do Audits Generally Lead to an Adjustment?

Globally, 28% of parent and 23% of subsidiary audits with known outcomes resulted in adjustments. The Nordic region is notable for having three of its four countries among the top four most likely to have transfer pricing examinations result in an adjustment. Of audits with known outcomes, parent companies located in Sweden, Norway, and Finland reported that adjustments were made in 45%, 36%, and 36% of cases, respectively. Over half (54%) of Switzerland-based companies that have undergone a transfer pricing audit since 2003 received an adjustment.

As with other topics within the 2007 Survey, the Pharmaceutical industry is again a clear outlier when it comes to transfer pricing adjustments. With 56% of transfer pricing examinations since 2003 resulting in adjustments, pharmaceutical companies were nearly twice as likely as companies in any other industry to suffer an adjustment.

Figure 13: Examinations since 2003 Resulting in Adjustments by Industry (Parents)



Of the methods imposed by tax authorities to make adjustments, not surprisingly, the cost-plus method was most popular. Parent respondents indicated that auditors applied the cost-plus method in 33% of cases where adjustments were made. This is likely due to the method's universal acceptance as the most suitable to benchmark intercompany services, which, as indicated above, are the transactions most suscep-

tible to audit. Notably, the profit-split method is the second most commonly applied method by auditors, according to parent respondents, who indicated the method was imposed in 20% of cases. Increased use of the profit-split method is consistent with a general trend toward multilateral enforcement efforts and increased tax authority competence in transfer pricing. **Indeed, based on their audit experiences, 72% of all respondents believe the level of transfer pricing expertise within tax authorities is “good” to “very good.”**

According to parent respondents, the top three most commonly requested items by tax examiners during their audits were management accounts (51%), financial records of foreign affiliates (42%), and access to operational personnel (36%). Surprisingly, intercompany agreements were requested in only 7% of cases.

Twenty-six percent of parent and 24% of subsidiary respondents indicated that they had to perform additional analysis to identify local comparables during their transfer pricing audits.

Based on their audit experiences, 49% of parents and 50% of subsidiaries have changed their ongoing transfer pricing risk management process.

What Are the Chances of a Penalty?

In audit cases resulting in adjustments, parent respondents indicated that tax authorities threatened to impose penalties in 31% of cases—penalties were actually imposed in 15% of cases. **In other words, MNEs incurring a transfer pricing adjustment stand about a one-in-three chance of being threatened with a penalty and a one-in-seven chance of actually having one imposed.**

The 2007 Survey results show that France- and Italy-headquartered companies were the most likely to suffer a transfer pricing penalty. Of the French and Italian parent respondents that received a transfer pricing adjustment since 2003, 50% also incurred a penalty.

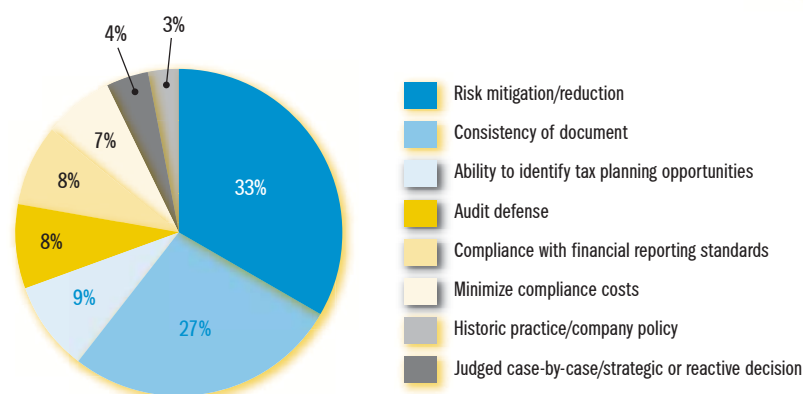
Transfer Pricing Documentation and Controversy Risk Management Practices

Risk Mitigation Is a Key Priority

Developments in financial and tax disclosure requirements in recent years have greatly increased the level of transparency in MNEs' tax and transfer pricing positions. Both accounting and tax regulators have intensified the responsibilities of MNEs to actively report and justify the impact of their tax planning. **Enhanced disclosure requirements, along with the trend toward tax authority collaboration and information exchange, are putting tax departments under increased pressure to manage transfer pricing risks with greater precision.**

Sixty-five percent of parent respondents believe transfer pricing documentation is more important now than it was two years ago (fewer than 1% say it is less important). The 2007 Survey also shows that MNEs' priorities for preparing documentation are changing. In our 2005 Survey, "consistency of documentation" was the top priority in preparing transfer pricing documentation. In our 2007 Survey, consistency was displaced by "risk mitigation or reduction" as the top priority.

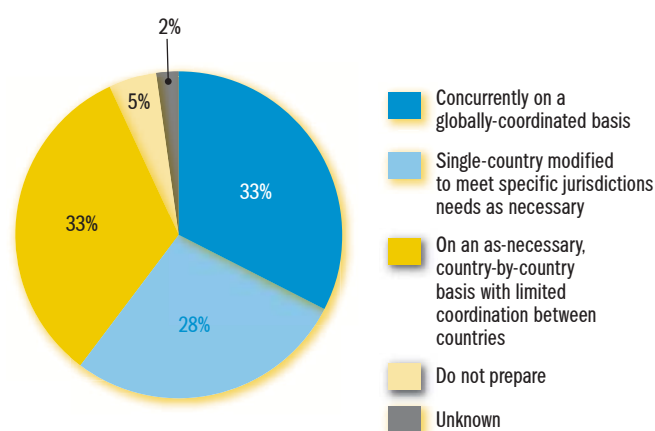
Figure 14: MNEs' Priorities in Preparing Transfer Pricing Documentation (All Respondents)



While priorities for preparing transfer pricing documentation are shifting, actual approaches to preparing it have remained largely unchanged. One-third of respondents prepare documentation concurrently on a globally coordinated basis. The

same number said that they prepared documentation on a country-by-country basis, with little coordination. The 2007 Survey results on documentation approaches are nearly identical to those of the 2005 Survey and are only marginally different from those of the 2001 Survey, where 32% took a globally coordinated approach and 37% a country-specific approach. These results suggest that multilateral initiatives intended to harmonize documentation approaches and ease taxpayer burdens, such as those supported by the EU Joint Transfer Pricing Forum and the Pacific Association of Tax Administrators, are having little, if any, effect on taxpayers' documentation practices.

Figure 15: Approach to Transfer Pricing Documentation (Parents)



Approaches to Comparables Analyses

There has been significant debate over recent years regarding the use of pan-regional comparables sets. Specifically, different opinions exist as to whether country-specific comparables sets yield meaningfully different results from pan-regional comparables sets. The European Commission has recently adopted a

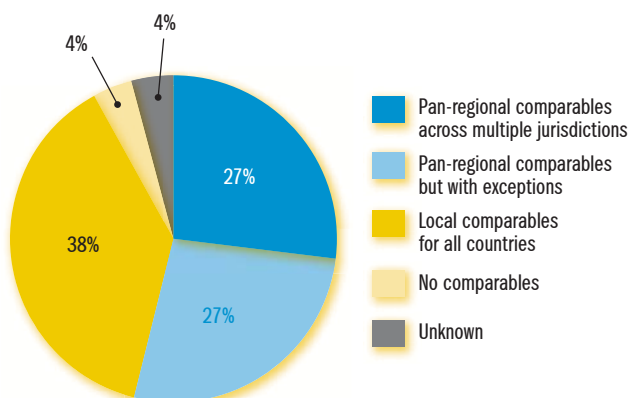
Code of Conduct that calls for a pan-European master-file approach to documentation and has published a white paper on the use of pan-regional comparables sets, indicating that they should be accepted across Europe.

A pan-regional approach to documentation and comparables analysis could potentially lead to significant cost savings for taxpayers, while also eliminating incompatible compliance burdens. There appears to be a general reluctance among taxpayers, however, to take on global or regional approaches to their transfer pricing compliance.

The 2007 Survey results show that 38% of parent respondents opt for local comparables searches for all countries, while only 27% rely on pan-regional sets. Even within Europe, where the urge for a pan-regional approach is perhaps the strongest, most parent respondents (36%) rely solely or primarily on local comparables sets.

The general reluctance to use pan-regional approaches is perhaps explained by several factors. Many taxpayers, for example, are more comfortable disclosing only what is absolutely necessary to local tax inspectors. Pan-regionally focused documentation and comparables sets necessarily involve disclosure of operational and tax information related to operations outside the local jurisdiction. Audit experience also suggests that pan-regional approaches may not be well-embraced by tax authorities either. The most common reason given by parent companies for their transfer pricing documentation being rejected on audit is that the economic analysis was not accepted. Moreover, 26% of parent respondents indicated that they had to perform additional analysis to identify local comparables during their transfer pricing audits. **By adopting a locally focused approach at the outset, many taxpayers likely believe there is less risk of disputes with tax authorities.**

Figure 16: Approach to Comparables Sets (Parents)



Transfer Pricing Methods

In managing transfer pricing risk, it is helpful to have a general sense of the transfer pricing methods commonly applied by other taxpayers for the various types of transactions. See Figure 17 below for a summary of the methods used by parent respondents by transaction type.

Figure 17: Methods Used by Transaction Type (Parents)

	Tangible Goods	Services	Intangible Property	Financing	Cost-Sharing
CUP/CUT	32%	19%	54%	56%	
Resale Price	17%				
CPM/TNMM	11%		14%	13%	
Cost		13%			29%
Cost-Plus	29%	60%			49%
Profit-Split	4%		10%	7%	
Other/Not Stated	6%	7%	22%	24%	22%

Not surprisingly, the cost-plus method is the most commonly used method to benchmark intercompany services. The CUP/CUT method remains the most popular method both for financing and intangible property transactions. The popularity of the CUP/CUT method for intercompany financing transactions is perhaps explained by the availability of data regarding what are largely commoditized transactions. However, the inherent uniqueness of intangible property raises a question as to whether, in practice, taxpayers are adhering to the fairly strict comparability criteria associated with qualifying intellectual property transactions as CUPs/CUTs.

Controversy Management

After exhausting the domestic appeals procedures, taxpayers generally have three alternatives when it comes to managing and resolving transfer pricing disputes with tax authorities:

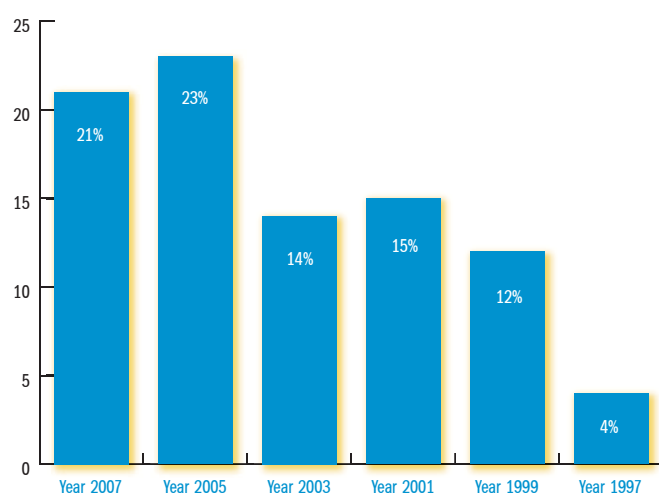
1. Advance Pricing Agreements (APAs)
2. Competent Authority relief via the Mutual Agreement Procedure provisions of the relevant treaty
3. Litigation

Twenty-one percent of parent respondents have used an APA as a controversy management tool and, since 2003, 17% have referred a transfer pricing matter to Competent Authority and only 4% have litigated a transfer pricing issue.

APAs

Countries worldwide have increased their investment in the APA process in recent years, which appears to be reflected in the 2007 Survey results. **Despite the increasing number of taxpayers applying for APAs, the time taken from submission to approval has decreased significantly since 2005.** Fifty-one percent of parent respondents who applied for unilateral APAs, for example, said the process was complete within 12 months. In our 2005 Survey, only 32% of parent respondents completed their unilateral APAs within 12 months. With respect to bilateral APAs, only about half of the number of respondents said the process took more than three years than it did in the 2005 Survey (11% compared to 21%, respectively).

Figure 18: Use of APAs (Parents)



The number of countries in which MNEs seek APAs is growing as well. Parent respondents collectively named 28 different countries in which they have some form of APA, which is up from 23 in 2005 and 13 in 2003. The US, UK, and Australia have remained the top three most popular jurisdictions for MNEs to conclude APAs with since our 2003 Survey.

Seventy-eight percent of parents reported that they were generally satisfied with the APA process. However, many remain unconvinced (or unaware) of the benefits of APAs, with fewer than half (47%) of parent respondents not currently using APAs saying they would consider doing so in the future.

Competent Authority

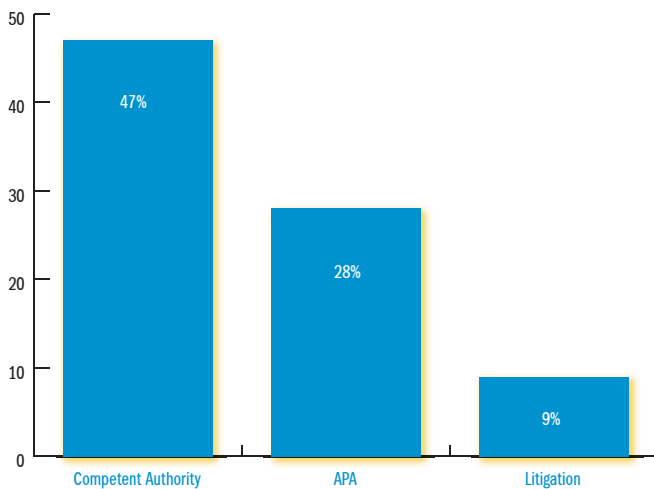
Globally, there appears to be a moderate trend for both parent and subsidiary respondents to rely less on the Competent Authority process. This may be a result of the increased availability of APAs and perhaps a general desire by taxpayers to manage controversy risk prospectively as a means to achieving financial statement certainty.

Figure 19: Respondents Referring a Matter to Competent Authority in the Previous Four Years

	2003	2005	2007
Parents	18%	18%	17%
Subsidiaries	16%	13%	11%

Despite the slight decline in the use of the Competent Authority process, it is the clear preferred method among parent respondents for resolving transfer pricing disputes.

Figure 20: Preferred Method to Resolve Transfer Pricing Disputes (Parents)



As with APAs, resolution times for Competent Authority cases have generally decreased, which may also be reflective of increased investments and improved procedures on the part of tax authorities. The number of parent respondents reporting that the process took fewer than 12 months increased to 38% from 21% in our previous survey. The number of cases taking longer than three years to resolve has fallen from 28% in 2005 to 13% in 2007.

Litigation

Overall, taxpayers have very limited experience with transfer pricing litigation. Only 28 instances of litigation (since 2003) were reported by the 850 respondents included in the 2007 Survey. Of the few cases reported, however, a disproportionate number occurred in Germany and Canada, with each having five cases reported (collectively accounting for 36% of the total).

Fewer than half (43%) of those having experience with litigation indicated they were satisfied with the process, which is considerably lower than the satisfaction levels for APAs or Competent Authority.

Convergence of Customs and Transfer Pricing

The emerging movement toward joint customs and transfer pricing enforcement is likely to play an important role in shaping approaches to transfer pricing compliance and examination approaches in the future.

More countries are integrating customs and tax administrations, as well as pursuing joint examinations. A number of countries, including Canada, Norway, Spain, Sweden, and the UK have integrated tax and customs administrations. Spain formally moved to conducting joint customs and tax audits of taxpayers with assets greater than €100 million in 2005. Under a formal memorandum of understanding, the Canada Revenue Agency (CRA) and the Canada Border Services Agency have agreed to exchange information in order to ensure compliance with customs rules as well as to test for arm's-length results.

The progression toward joint transfer pricing and customs examinations, however, appears to be unfolding with a general lack of clarity and consensus regarding the alignment of customs and transfer pricing values and documentation requirements. **Most countries that have integrated customs and tax offices or adopted combined enforcement approaches have done so without providing taxpayer-focused guidance on harmonization.** Some countries, however, have made greater strides than others in this area. In October 2006, the CRA released an information circular related to the alignment of transfer pricing and customs valuation methodologies.¹¹ Australian tax officials announced in May 2007 that the country plans to propose the first advanced pricing agreement program that would jointly address transfer pricing and customs valuation issues. In May 2007, the World Customs Organization (WCO) and the OECD held their second joint conference dedicated to transfer pricing and customs valuation in an attempt to foster discussion regarding points of convergence and reconciliation between direct and indirect taxation.

Given the increasing level of importance related to joint customs and transfer pricing administration, we included a number of questions in our 2007 Survey on the subject.

Level of Integration Between Customs and Transfer Pricing Approaches

The trend toward integrated customs and transfer pricing among revenue authorities does not appear to have been similarly embraced by taxpayers. Fewer than half (48%) of parent respondents said the person responsible for transfer pricing in their organization has either input or control over setting prices for indirect tax purposes.

The surprisingly minimal overlap in customs and transfer pricing oversight is somewhat in line with a general lack of coordination in approaches. Most parent respondents (52%) do not coordinate post-transaction adjustments between the transfer pricing and customs systems. Significantly, the lack of coordination appears to be increasing. In our 2005 Survey, 42% of parent respondents did not coordinate post-transaction adjustments.

Figure 21: Approaches to Integrating Customs and Transfer Pricing (Parents)

	2007	2005
There are effectively two pricing systems—one for tax purposes and another for customs reporting purposes	7%	13%
We initially use the same pricing approach and coordinate post-transaction adjustments between the systems	34%	37%
We initially use the same pricing system when transactions occur but independently evaluate post-transaction adjustments	52%	42%
Don't know/ not stated	7%	7%

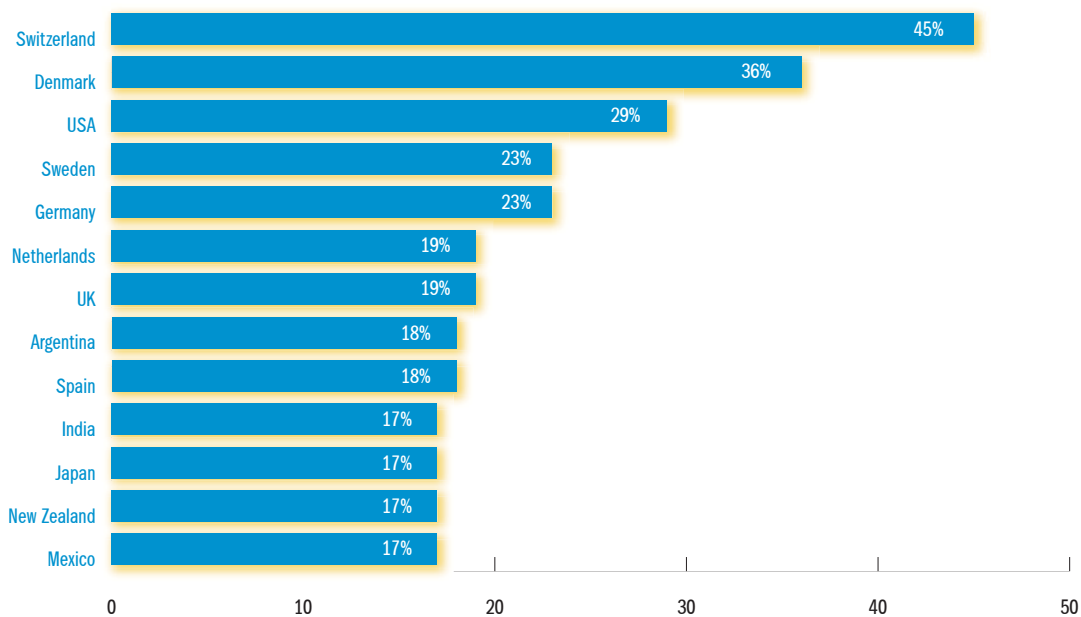
¹¹ Canada Revenue Agency Information Circular No. IC06-1.

Joint Customs-Transfer Pricing Examination Experiences

The increasing lack of coordination gives rise to some concern, given that 33% of parent respondents that have undergone a transfer pricing or customs audit reported being aware of information exchange between tax and customs authorities.

Nineteen percent of parent respondents have had their customs pricing challenged based on their transfer pricing for the same goods, or vice versa. In 44% of these cases, corresponding correlative adjustments to customs duties or income tax were disallowed.

Figure 22: Primary Countries where Customs Prices Were Challenged Based upon Transfer Prices for the Same Goods, or Vice Versa (Parents)



Internal Transfer Pricing Adjustment Practices

There has been an increasing interest by taxpayers, practitioners, and tax authorities in recent years regarding both the practical aspects and the legitimacy of self-initiated transfer pricing adjustments. While taxpayers generally desire a certain level of flexibility to ensure taxable income falls within acceptable arm's-length limits, tax authorities naturally seek to restrict retroactive adjustments in cases where they reduce taxable income. In March 2007, for instance, the IRS issued a chief counsel memorandum indicating that its position is that taxpayers may not affirmatively use Section 482 to make hindsight adjustments.

Adjustment Practices

According to the 2007 Survey, half of parent respondents adjust their affiliates' profit levels to comply with their transfer pricing policies. The most popular method to effectuate adjustments is to increase or decrease the underlying transfer prices.

Figure 23 : How Adjustments Are Made (Parents)

Increase/decrease to underlying transfer prices	48%
New or adjusted unrelated inter-company charge	26%
In tax returns but not in management and/or statutory books	12%

Forty-five per cent of parent respondents make their transfer pricing adjustments prospectively, while 39% do so retrospectively. The relatively common use of retrospective adjustments is somewhat surprising given that, as indicated above, it is generally contradictory to the view that many tax authorities take. Similarly to the IRS, the German tax authority, for example, generally only accepts retroactive adjustments if they are based on pre-defined price adjustment clauses for uncertain developments of price components.

Audit Experience Regarding Transfer Pricing Adjustments

Globally, 27% of parent companies indicated that they have had a transfer pricing mechanism challenged by a tax authority. There is considerable variation by country in this regard. While there are a number of countries where no parent respondent has reported having had an adjustment mechanism challenged (Belgium, France, Finland, Argentina, Brazil, Mexico, Japan, Korea, India), one-third or more of parent respondents in a number of other countries have.

Figure 24 : Transfer Pricing Adjustment Mechanism Has Been Challenged by a Tax Authority (Parents)

Australia	50%
Denmark	50%
Germany	36%
Italy	33%
Netherlands	62%
UK	36%
US	38%

Despite the relatively high risk of audit challenge in certain jurisdictions, however, adjustment mechanisms overall do not pose significant risk of adjustment. Of those parent respondents who have had a transfer pricing adjustment mechanism challenged by a tax authority, 69% say the mechanism was ultimately accepted.

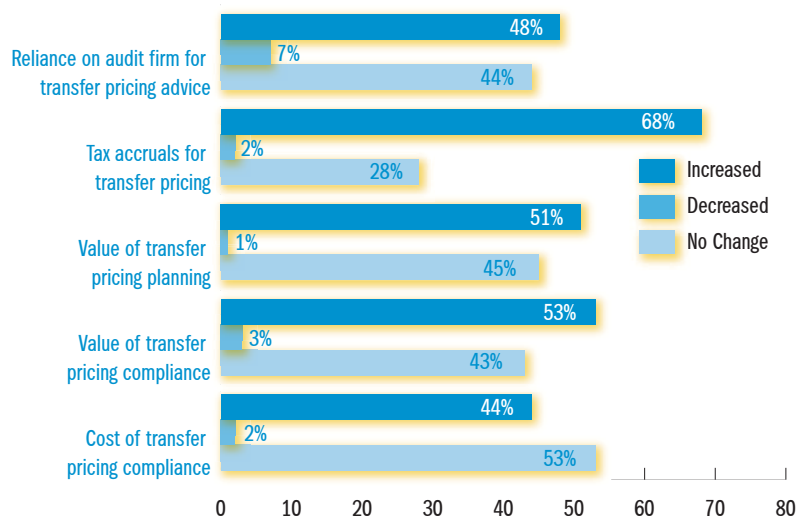
Impact of Financial Reporting Requirements on Transfer Pricing

As perhaps one of the most subjective corporate tax disciplines, transfer pricing has traditionally posed challenges for MNEs seeking to comply with financial reporting requirements. Mainstream financial accounting standards increasingly require transparency, accuracy, and standardization in the measurement and disclosure of uncertain tax positions, without necessarily providing the practical guidance necessary to comply from a transfer pricing perspective.

Despite dedicating additional resources to managing the tax accounting associated with transfer pricing positions, MNEs report an increased perception of transfer pricing-related financial statement risk. Over half (53%) of all respondents indicated that developments in financial reporting requirements have increased the cost of their transfer pricing compliance. This is a significant increase over our 2005 Survey results, where 29% of parent companies indicated an increased cost of transfer pricing compliance due to financial reporting requirements. The increase in transfer pricing compliance costs may be explained to a large extent by the US Financial Accounting Standards Board's (FASB) June 2006 issuance of FASB Interpretation No. 48 (FIN 48). FIN 48 mandates a framework for the recognition, measurement, and disclosure in US GAAP financial statements of the impact of uncertain tax positions taken or to be taken in a company's tax returns. FIN 48 became effective 1 January 2007 for calendar year-end companies and applies to all companies using US GAAP, including non-US companies registered with the SEC, referred to as Foreign Private Issuers (FPIs).

The cost impact is particularly high in the US (66%), as well as in countries that headquarter a high proportion of FPIs, including the UK (71%), Switzerland (72%), and Germany, (80%).

Figure 25: Impact of Financial Reporting Requirements on Transfer Pricing (All Respondents)

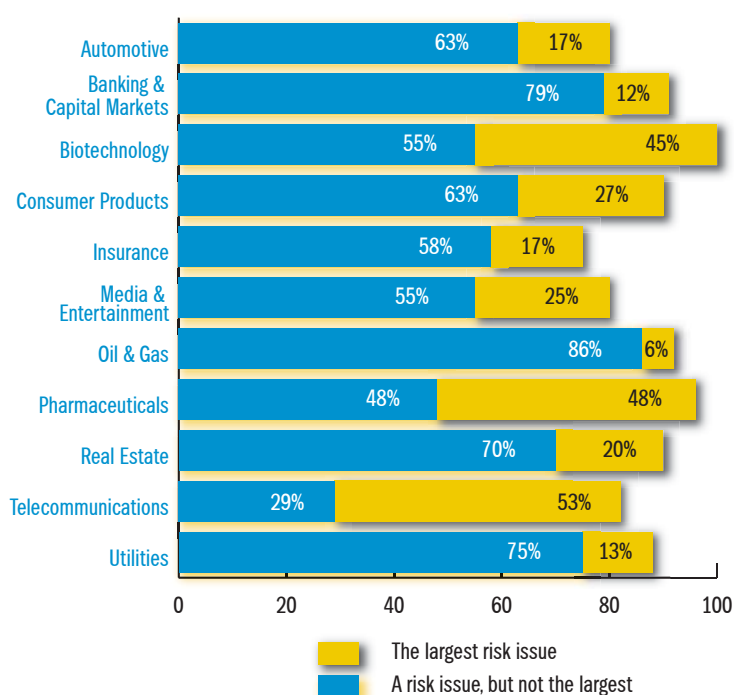


Globally, 44% of parent respondents indicate that developments in financial reporting have caused them to increase their reliance on their audit firm for transfer pricing advice. While these results may initially appear difficult to square with a legislative environment focused on encouraging auditor independence, they suggest that some MNEs may feel pressured to seek ways to ensure auditor buy-in when it comes to their transfer pricing positions.

Transfer Pricing Perceived by MNEs to Pose Significant Financial Statement Risk

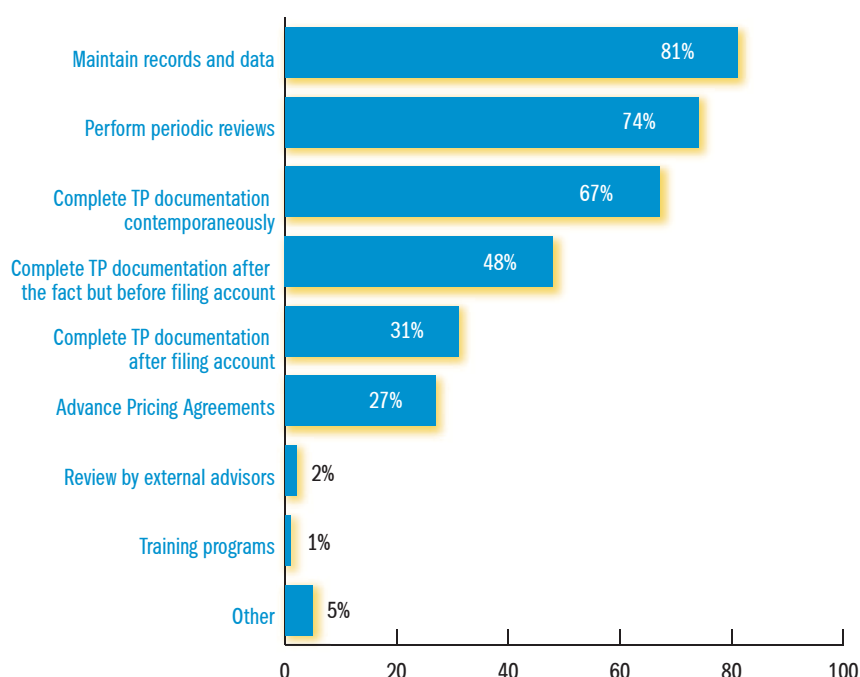
Of parent companies included in the 2007 Survey, 87% believe that transfer pricing poses a financial statement risk for their company, with 21% considering it the largest risk issue. The degree of perceived transfer pricing-related financial statement risk varies significantly by industry, perhaps reflecting the inherent complexity of the underlying transfer pricing issues of those industries. In particular, 53% of parent respondents in the Telecommunications industry, 48% in the Pharmaceutical industry, and 45% in the Biotechnology industry reported that transfer pricing posed the largest financial statement risk issue faced by their organization.

Figure 26: Extent to Which Transfer Pricing Is Considered a Financial Statement Risk Issue (Parents)



Approaches to Mitigate Transfer Pricing-Related Financial Statement Risk

Figure 27: Approaches to Mitigate Transfer Pricing-Related Financial Statement Risk (Parents)

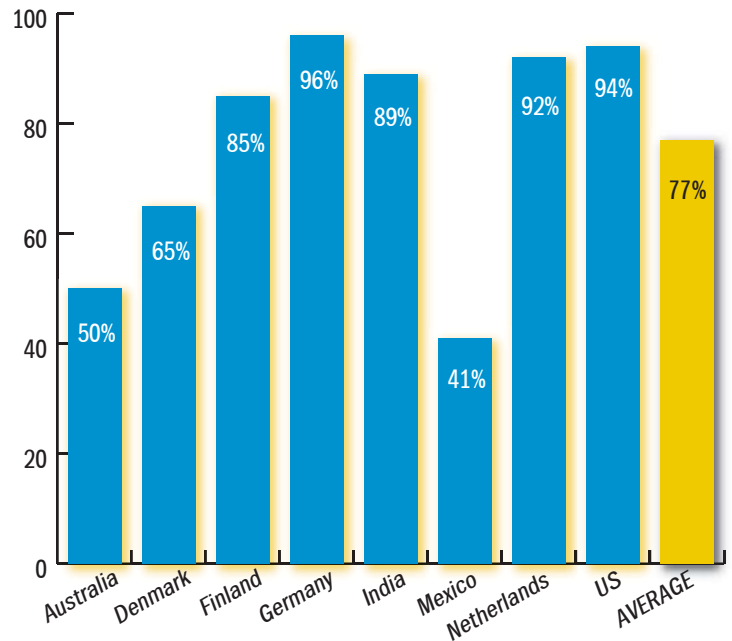


The 2007 Survey results show that MNEs adopt a number of practices to manage their transfer pricing-related financial statement risk. The popularity of risk mitigation strategies amongst MNEs globally appears to be driven to a certain extent by the relative ease of implementing the underlying strategy itself. Eighty-one percent of parent respondents indicate that they maintain records and data, and 74% perform periodic transfer pricing reviews, while only 27% utilize APAs to control financial statement risk.

The relative popularity of APAs as a risk mitigation strategy, however, tends to be higher among parent respondents headquartered in jurisdictions traditionally thought to have APA- or ruling-friendly environments. In Belgium, the Netherlands, and Switzerland, for example, which have well-developed ruling regimes, 59%, 44%, and 50% of parent respondents, respectively, utilize APAs to manage transfer pricing-related financial statement risk.

Logically, the attractiveness of a particular risk mitigation strategy appears to be closely linked to the transfer pricing compliance requirements relevant to the MNE. As shown in Figure 28, parent respondents headquartered in jurisdictions requiring contemporaneous documentation were, as expected, fairly likely to prepare their documentation contemporaneously as a transfer pricing risk mitigation strategy.

Figure 28: Prepare TP Documentation Contemporaneously—countries requiring contemporaneous documentation (Parents)





Country-Specific Findings

The preceding pages outline the Key Global Findings. The following pages include a series of comparable tables focusing on key questions posed in the 2007 Survey. Readers are able to use these tables to compare the findings for individual countries with the global and respective regional findings. Individual country responses that deviate by 20% or more from the global average are highlighted in blue in the tables.

Asia-Pacific

Australia			
	Australia (Parents)	Asia-Pacific (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	46%	44%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	69%	71%	74%
Transfer pricing documentation is more important now than it was two years ago	42%	57%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	65%	33%	52%
Examinations resulting in an adjustment (known outcomes)	22%	21%	28%
Where adjustments occurred, tax authority imposed profit-split method	100%	33%	20%
Revenue authority threatened to impose penalties	43%	31%	31%
Penalties were imposed (known outcomes)	29%	19%	15%
Tax authority requested access to operational personnel during audit	39%	34%	36%
Performed additional comparables analysis to identify local comparables during audit	39%	41%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	46%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	65%	64%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	81%	59%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	62%	57%	50%
Highest priority in driving transfer pricing strategy is tax optimization	15%	22%	22%
Have implemented the following structures:			
Limited risk distribution	8%	19%	22%
IP migration	12%	7%	14%
Contract/consignment manufacturing	12%	18%	27%
Centralized purchasing	23%	17%	34%
Low tax principal	8%	6%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	38%	21%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	19%	39%	33%

Australia

Transfer Pricing Strategies and Practices (continued)	Australia (Parents)	Asia-Pacific (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	16%	22%	27%
Use pan-regional comparables sets across multiple jurisdictions	19%	16%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	23%	29%	27%
Use local comparables for all countries	54%	43%	38%
Controversy Management			
Use APAs as a controversy management tool	35%	20%	21%
Of those who have used APAs, proportion that would use them again	78%	83%	86%
Referred a transfer pricing matter to Competent Authority since 2003	12%	13%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	80%	27%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	0%	13%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	33%	33%

Asia-Pacific

China			
	China (Subs.)	Asia-Pacific (Subs.)	Global (Subs.)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	60%	58%	41%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	100%	84%	81%
Transfer pricing documentation is more important now than it was two years ago	100%	56%	59%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	60%	37%	52%
Examinations resulting in an adjustment (known outcomes)	0%	10%	23%
Where adjustments occurred, tax authority imposed profit-split method	0%	0%	0%
Revenue authority threatened to impose penalties	0%	0%	24%
Penalties were imposed (known outcomes)	0%	0%	2%
Tax authority requested access to operational personnel during audit	0%	38%	29%
Performed additional comparables analysis to identify local comparables during audit	0%	33%	24%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	0%	29%	43%
Overall audit experience has affected their ongoing transfer pricing risk management process	100%	44%	50%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	80%	0%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	60%	53%	59%
Highest priority in driving transfer pricing strategy is tax optimization	0%	12%	15%
Have implemented the following structures:			
Limited risk distribution	20%	7%	16%
IP migration	20%	9%	10%
Contract/consignment manufacturing	20%	12%	21%
Centralized purchasing	40%	19%	30%
Low tax principal	0%	14%	14%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	40%	21%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	0%	40%	34%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	20%	8%	10%

China			
Transfer Pricing Strategies and Practices (continued)	China (Subs.)	Asia-Pacific (Subs.)	Global (Subs.)
Use pan-regional comparables sets across multiple jurisdictions	60%	16%	30%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	0%	23%	22%
Use local comparables for all countries	40%	49%	43%
Controversy Management			
Use APAs as a controversy management tool	0%	19%	23%
Of those who have used APAs, proportion that would use them again	0%	100%	87%
Referred a transfer pricing matter to Competent Authority since 2003	40%	16%	11%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	80%	52%	41%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	20%	0%	13%
Were aware of information exchange in their audit case between customs and tax authorities	0%	100%	23%

Asia-Pacific

India			
	India (Parents)	Asia-Pacific (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	42%	44%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	100%	71%	74%
Transfer pricing documentation is more important now than it was two years ago	92%	57%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	42%	33%	52%
Examinations resulting in an adjustment (known outcomes)	14%	21%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	33%	20%
Revenue authority threatened to impose penalties	0%	31%	31%
Penalties were imposed (known outcomes)	0%	19%	15%
Tax authority requested access to operational personnel during audit	43%	34%	36%
Performed additional comparables analysis to identify local comparables during audit	71%	41%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	57%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	60%	64%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	67%	59%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	42%	57%	50%
Highest priority in driving transfer pricing strategy is tax optimization	25%	22%	22%
Have implemented the following structures:			
Limited risk distribution	17%	19%	22%
IP migration	25%	7%	14%
Contract/consignment manufacturing	0%	18%	27%
Centralized purchasing	25%	17%	34%
Low tax principal	25%	6%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	58%	21%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	25%	39%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	27%	22%	27%

India

Transfer Pricing Strategies and Practices (continued)	India (Parents)	Asia-Pacific (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	8%	16%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	8%	29%	27%
Use local comparables for all countries	83%	43%	38%
Controversy Management			
Use APAs as a controversy management tool	8%	20%	21%
Of those who have used APAs, proportion that would use them again	100%	83%	86%
Referred a transfer pricing matter to Competent Authority since 2003	0%	13%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	67%	27%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	17%	13%	19%
Were aware of information exchange in their audit case between customs and tax authorities	100%	33%	33%

Asia-Pacific

Japan			
	Japan (Parents)	Asia-Pacific (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	56%	44%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	76%	71%	74%
Transfer pricing documentation is more important now than it was two years ago	68%	57%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	24%	33%	52%
Examinations resulting in an adjustment (known outcomes)	38%	21%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	33%	20%
Revenue authority threatened to impose penalties	20%	31%	31%
Penalties were imposed (known outcomes)	20%	19%	15%
Tax authority requested access to operational personnel during audit	0%	34%	36%
Performed additional comparables analysis to identify local comparables during audit	0%	41%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	0%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	50%	64%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	52%	59%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	80%	57%	50%
Highest priority in driving transfer pricing strategy is tax optimization	8%	22%	22%
Have implemented the following structures:			
Limited risk distribution	8%	19%	22%
IP migration	0%	7%	14%
Contract/consignment manufacturing	32%	18%	27%
Centralized purchasing	4%	17%	34%
Low tax principal	0%	6%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	0%	21%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	36%	39%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	31%	22%	27%

Japan

Transfer Pricing Strategies and Practices (continued)	Japan (Parents)	Asia-Pacific (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	16%	16%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	29%	27%
Use local comparables for all countries	20%	43%	38%
Controversy Management			
Use APAs as a controversy management tool	32%	20%	21%
Of those who have used APAs, proportion that would use them again	75%	83%	86%
Referred a transfer pricing matter to Competent Authority since 2003	12%	13%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	11%	27%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	17%	13%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	33%	33%

Asia-Pacific

Republic of Korea			
	Korea (Parents)	Asia-Pacific (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	34%	44%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	46%	71%	74%
Transfer pricing documentation is more important now than it was two years ago	51%	57%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	6%	33%	52%
Examinations resulting in an adjustment (known outcomes)	0%	21%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	33%	20%
Revenue authority threatened to impose penalties	0%	31%	31%
Penalties were imposed (known outcomes)	0%	19%	15%
Tax authority requested access to operational personnel during audit	0%	34%	36%
Performed additional comparables analysis to identify local comparables during audit	67%	41%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	67%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	50%	64%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	45%	59%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	51%	57%	50%
Highest priority in driving transfer pricing strategy is tax optimization	29%	22%	22%
Have implemented the following structures:			
Limited risk distribution	43%	19%	22%
IP migration	6%	7%	14%
Contract/consignment manufacturing	23%	18%	27%
Centralized purchasing	14%	17%	34%
Low tax principal	3%	6%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	6%	21%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	54%	39%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	23%	22%	27%

Republic of Korea

Transfer Pricing Strategies and Practices (continued)	Korea (Parents)	Asia-Pacific (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	11%	16%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	54%	29%	27%
Use local comparables for all countries	29%	43%	38%
Controversy Management			
Use APAs as a controversy management tool	9%	20%	21%
Of those who have used APAs, proportion that would use them again	100%	83%	86%
Referred a transfer pricing matter to Competent Authority since 2003	20%	13%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	19%	27%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	12%	13%	19%
Were aware of information exchange in their audit case between customs and tax authorities	33%	33%	33%

Asia-Pacific

New Zealand			
	New Zealand (Parents)	Asia-Pacific (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	45%	44%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	90%	71%	74%
Transfer pricing documentation is more important now than it was two years ago	50%	57%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	45%	33%	52%
Examinations resulting in an adjustment (known outcomes)	17%	21%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	33%	20%
Revenue authority threatened to impose penalties	33%	31%	31%
Penalties were imposed (known outcomes)	0%	19%	15%
Tax authority requested access to operational personnel during audit	50%	34%	36%
Performed additional comparables analysis to identify local comparables during audit	50%	41%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	42%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	78%	64%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	55%	59%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	45%	57%	50%
Highest priority in driving transfer pricing strategy is tax optimization	35%	22%	22%
Have implemented the following structures:			
Limited risk distribution	10%	19%	22%
IP migration	0%	7%	14%
Contract/consignment manufacturing	15%	18%	27%
Centralized purchasing	25%	17%	34%
Low tax principal	5%	6%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	25%	21%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	50%	39%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	21%	22%	27%

New Zealand

Transfer Pricing Strategies and Practices (continued)	New Zealand (Parents)	Asia-Pacific (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	20%	16%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	29%	27%
Use local comparables for all countries	60%	43%	38%
Controversy Management			
Use APAs as a controversy management tool	15%	20%	21%
Of those who have used APAs, proportion that would use them again	100%	83%	86%
Referred a transfer pricing matter to Competent Authority since 2003	10%	13%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	25%	27%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	17%	13%	19%
Were aware of information exchange in their audit case between customs and tax authorities	50%	33%	33%

Americas

Argentina			
	Argentina (Parents)	Americas (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	10%	31%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	45%	66%	74%
Transfer pricing documentation is more important now than it was two years ago	50%	59%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	15%	57%	52%
Examinations resulting in an adjustment (known outcomes)	0%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	11%	20%
Revenue authority threatened to impose penalties	0%	33%	31%
Penalties were imposed (known outcomes)	0%	11%	15%
Tax authority requested access to operational personnel during audit	33%	35%	36%
Performed additional comparables analysis to identify local comparables during audit	33%	28%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	33%	33%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	67%	38%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	60%	78%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	10%	40%	50%
Highest priority in driving transfer pricing strategy is tax optimization	50%	29%	22%
Have implemented the following structures:			
Limited risk distribution	20%	20%	22%
IP migration	5%	14%	14%
Contract/consignment manufacturing	15%	28%	27%
Centralized purchasing	5%	33%	34%
Low tax principal	0%	19%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	25%	34%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	55%	37%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	50%	33%	27%

Argentina

Transfer Pricing Strategies and Practices (continued)	Argentina (Parents)	Americas (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	30%	24%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	32%	27%
Use local comparables for all countries	40%	38%	38%
Controversy Management			
Use APAs as a controversy management tool	20%	22%	21%
Of those who have used APAs, proportion that would use them again	100%	91%	86%
Referred a transfer pricing matter to Competent Authority since 2003	5%	21%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	64%	61%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	18%	22%	19%
Were aware of information exchange in their audit case between customs and tax authorities	100%	33%	33%

Americas

Brazil			
	Brazil (Parents)	Americas (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	4%	31%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	36%	66%	74%
Transfer pricing documentation is more important now than it was two years ago	44%	59%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	12%	57%	52%
Examinations resulting in an adjustment (known outcomes)	0%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	11%	20%
Revenue authority threatened to impose penalties	0%	33%	31%
Penalties were imposed (known outcomes)	0%	11%	15%
Tax authority requested access to operational personnel during audit	25%	35%	36%
Performed additional comparables analysis to identify local comparables during audit	0%	28%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	25%	33%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	33%	38%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	56%	78%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	44%	40%	50%
Highest priority in driving transfer pricing strategy is tax optimization	32%	29%	22%
Have implemented the following structures:			
Limited risk distribution	4%	20%	22%
IP migration	0%	14%	14%
Contract/consignment manufacturing	0%	28%	27%
Centralized purchasing	16%	33%	34%
Low tax principal	24%	19%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	24%	34%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	48%	37%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	57%	33%	27%

Brazil

Transfer Pricing Strategies and Practices (continued)	Brazil (Parents)	Americas (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	12%	24%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	32%	27%
Use local comparables for all countries	64%	38%	38%
Controversy Management			
Use APAs as a controversy management tool	20%	22%	21%
Of those who have used APAs, proportion that would use them again	100%	91%	86%
Referred a transfer pricing matter to Competent Authority since 2003	8%	21%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	58%	61%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	8%	22%	19%
Were aware of information exchange in their audit case between customs and tax authorities	100%	33%	33%

Americas

Canada			
	Canada (Parents)	Americas (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	27%	31%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	96%	66%	74%
Transfer pricing documentation is more important now than it was two years ago	50%	59%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	81%	57%	52%
Examinations resulting in an adjustment (known outcomes)	35%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	11%	20%
Revenue authority threatened to impose penalties	44%	33%	31%
Penalties were imposed (known outcomes)	6%	11%	15%
Tax authority requested access to operational personnel during audit	29%	35%	36%
Performed additional comparables analysis to identify local comparables during audit	21%	28%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	32%	33%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	33%	38%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	84%	78%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	50%	40%	50%
Highest priority in driving transfer pricing strategy is tax optimization	19%	29%	22%
Have implemented the following structures:			
Limited risk distribution	4%	20%	22%
IP migration	19%	14%	14%
Contract/consignment manufacturing	27%	28%	27%
Centralized purchasing	38%	33%	34%
Low tax principal	15%	19%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	50%	34%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	15%	37%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	27%	33%	27%

Canada

Transfer Pricing Strategies and Practices (continued)	Canada (Parents)	Americas (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	35%	24%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	15%	32%	27%
Use local comparables for all countries	46%	38%	38%
Controversy Management			
Use APAs as a controversy management tool	15%	22%	21%
Of those who have used APAs, proportion that would use them again	0%	91%	86%
Referred a transfer pricing matter to Competent Authority since 2003	31%	21%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	50%	61%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	8%	22%	19%
Were aware of information exchange in their audit case between customs and tax authorities	100%	33%	33%

Americas

Mexico			
	Mexico (Parents)	Americas (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	20%	31%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	56%	66%	74%
Transfer pricing documentation is more important now than it was two years ago	56%	59%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	8%	57%	52%
Examinations resulting in an adjustment (known outcomes)	0%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	11%	20%
Revenue authority threatened to impose penalties	0%	33%	31%
Penalties were imposed (known outcomes)	0%	11%	15%
Tax authority requested access to operational personnel during audit	50%	35%	36%
Performed additional comparables analysis to identify local comparables during audit	50%	28%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	50%	33%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	50%	38%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	48%	78%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	40%	40%	50%
Highest priority in driving transfer pricing strategy is tax optimization	28%	29%	22%
Have implemented the following structures:			
Limited risk distribution	16%	20%	22%
IP migration	4%	14%	14%
Contract/consignment manufacturing	20%	28%	27%
Centralized purchasing	32%	33%	34%
Low tax principal	8%	19%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	12%	34%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	76%	37%	33%

Mexico

Transfer Pricing Strategies and Practices (continued)	Mexico (Parents)	Americas (Parents)	Global (Parents)
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	38%	33%	27%
Use pan-regional comparables sets across multiple jurisdictions	16%	24%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	32%	32%	27%
Use local comparables for all countries	48%	38%	38%
Controversy Management			
Use APAs as a controversy management tool	28%	22%	21%
Of those who have used APAs, proportion that would use them again	100%	91%	86%
Referred a transfer pricing matter to Competent Authority since 2003	12%	21%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	42%	61%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	17%	22%	19%
Were aware of information exchange in their audit case between customs and tax authorities	50%	33%	33%

Americas

United States			
	US (Parents)	Americas (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	46%	31%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	73%	66%	74%
Transfer pricing documentation is more important now than it was two years ago	67%	59%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	82%	57%	52%
Examinations resulting in an adjustment (known outcomes)	29%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	18%	11%	20%
Revenue authority threatened to impose penalties	31%	33%	31%
Penalties were imposed (known outcomes)	12%	11%	15%
Tax authority requested access to operational personnel during audit	36%	35%	36%
Performed additional comparables analysis to identify local comparables during audit	30%	28%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	33%	33%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	38%	38%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	92%	78%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	43%	40%	50%
Highest priority in driving transfer pricing strategy is tax optimization	26%	29%	22%
Have implemented the following structures:			
Limited risk distribution	30%	20%	22%
IP migration	20%	14%	14%
Contract/consignment manufacturing	40%	28%	27%
Centralized purchasing	41%	33%	34%
Low tax principal	26%	19%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	39%	34%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	26%	37%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	25%	33%	27%

United States

Transfer Pricing Strategies and Practices (continued)	US (Parents)	Americas (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	26%	24%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	42%	32%	27%
Use local comparables for all countries	26%	38%	38%
Controversy Management			
Use APAs as a controversy management tool	24%	22%	21%
Of those who have used APAs, proportion that would use them again	100%	91%	86%
Referred a transfer pricing matter to Competent Authority since 2003	27%	21%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	66%	61%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	29%	22%	19%
Were aware of information exchange in their audit case between customs and tax authorities	17%	33%	33%

Europe

Belgium			
	Belgium (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	39%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	39%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	67%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	39%	56%	52%
Examinations resulting in an adjustment (known outcomes)	25%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	33%	30%	31%
Penalties were imposed (known outcomes)	33%	18%	15%
Tax authority requested access to operational personnel during audit	33%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	0%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	50%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	43%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	83%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	39%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	6%	18%	22%
Have implemented the following structures:			
Limited risk distribution	11%	24%	22%
IP migration	22%	16%	14%
Contract/consignment manufacturing	11%	29%	27%
Centralized purchasing	33%	41%	34%
Low tax principal	11%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	44%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	11%	28%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	29%	26%	27%

Belgium

Transfer Pricing Strategies and Practices (continued)	Belgium (Parents)	Europe (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	44%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	11%	24%	27%
Use local comparables for all countries	22%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	22%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	11%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	56%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	0%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	32%	33%

Europe

Denmark			
	Denmark (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	38%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	73%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	73%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	42%	56%	52%
Examinations resulting in an adjustment (known outcomes)	18%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	25%	30%	31%
Penalties were imposed (known outcomes)	0%	18%	15%
Tax authority requested access to operational personnel during audit	0%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	18%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	53%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	45%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	89%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	58%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	15%	18%	22%
Have implemented the following structures:			
Limited risk distribution	15%	24%	22%
IP migration	8%	16%	14%
Contract/consignment manufacturing	23%	29%	27%
Centralized purchasing	38%	41%	34%
Low tax principal	23%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	38%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	31%	28%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	27%	26%	27%

Denmark

Transfer Pricing Strategies and Practices (continued)	Denmark (Parents)	Europe (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	27%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	23%	24%	27%
Use local comparables for all countries	50%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	23%	21%	21%
Of those who have used APAs, proportion that would use them again	83%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	31%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	36%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	36%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	25%	32%	33%

Europe

Finland			
	Finland (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	48%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	92%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	88%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	48%	56%	52%
Examinations resulting in an adjustment (known outcomes)	36%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	100%	24%	20%
Revenue authority threatened to impose penalties	0%	30%	31%
Penalties were imposed (known outcomes)	38%	18%	15%
Tax authority requested access to operational personnel during audit	47%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	29%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	47%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	58%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	80%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	48%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	20%	18%	22%
Have implemented the following structures:			
Limited risk distribution	20%	24%	22%
IP migration	16%	16%	14%
Contract/consignment manufacturing	40%	29%	27%
Centralized purchasing	64%	41%	34%
Low tax principal	16%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	56%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	4%	28%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	18%	26%	27%

Finland

Transfer Pricing Strategies and Practices (continued)	Finland (Parents)	Europe (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	32%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	24%	24%	27%
Use local comparables for all countries	44%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	12%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	20%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	54%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	15%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	32%	33%

Europe

France			
	France (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	48%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	56%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	68%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	76%	56%	52%
Examinations resulting in an adjustment (known outcomes)	18%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	67%	30%	31%
Penalties were imposed (known outcomes)	50%	18%	15%
Tax authority requested access to operational personnel during audit	26%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	12%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	44%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	32%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	92%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	64%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	20%	18%	22%
Have implemented the following structures:			
Limited risk distribution	24%	24%	22%
IP migration	16%	16%	14%
Contract/consignment manufacturing	20%	29%	27%
Centralized purchasing	24%	41%	34%
Low tax principal	4%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	48%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	16%	28%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	38%	26%	27%

France

Transfer Pricing Strategies and Practices (continued)	France (Parents)	Europe (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	24%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	36%	24%	27%
Use local comparables for all countries	20%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	12%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	16%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	50%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	13%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	32%	33%

Europe

Germany			
	Germany (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	76%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	96%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	88%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	52%	56%	52%
Examinations resulting in an adjustment (known outcomes)	17%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	50%	30%	31%
Penalties were imposed (known outcomes)	25%	18%	15%
Tax authority requested access to operational personnel during audit	6%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	11%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	33%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	69%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	100%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	48%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	20%	18%	22%
Have implemented the following structures:			
Limited risk distribution	48%	24%	22%
IP migration	32%	16%	14%
Contract/consignment manufacturing	68%	29%	27%
Centralized purchasing	64%	41%	34%
Low tax principal	8%	15%	15%

Germany

Transfer Pricing Strategies and Practices (continued)	Germany (Parents)	Europe (Parents)	Global (Parents)
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	24%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	24%	28%	33%
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	16%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	48%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	8%	24%	27%
Use local comparables for all countries	24%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	8%	21%	21%
Of those who have used APAs, proportion that would use them again	0%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	8%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	41%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	23%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	20%	32%	33%

Europe

Ireland			
	Ireland (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	30%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	90%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	85%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	60%	56%	52%
Examinations resulting in an adjustment (known outcomes)	28%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	9%	30%	31%
Penalties were imposed (known outcomes)	9%	18%	15%
Tax authority requested access to operational personnel during audit	33%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	22%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	28%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	58%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	85%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	15%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	50%	18%	22%
Have implemented the following structures:			
Limited risk distribution	25%	24%	22%
IP migration	15%	16%	14%
Contract/consignment manufacturing	40%	29%	27%
Centralized purchasing	45%	41%	34%
Low tax principal	30%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	15%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	55%	28%	33%

Ireland

Transfer Pricing Strategies and Practices (continued)	Ireland (Parents)	Europe (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	10%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	20%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	24%	27%
Use local comparables for all countries	60%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	15%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	15%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	29%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	0%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	32%	33%

Europe

Italy			
	Italy (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	52%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	76%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	40%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	64%	56%	52%
Examinations resulting in an adjustment (known outcomes)	24%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	50%	30%	31%
Penalties were imposed (known outcomes)	50%	18%	15%
Tax authority requested access to operational personnel during audit	56%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	32%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	64%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	69%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	68%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	40%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	8%	18%	22%
Have implemented the following structures:			
Limited risk distribution	20%	24%	22%
IP migration	12%	16%	14%
Contract/consignment manufacturing	20%	29%	27%
Centralized purchasing	48%	41%	34%
Low tax principal	8%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	32%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	32%	28%	33%

Italy

Transfer Pricing Strategies and Practices (continued)	Italy (Parents)	Europe (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	48%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	28%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	8%	24%	27%
Use local comparables for all countries	40%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	28%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	24%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	41%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	6%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	0%	32%	33%

Europe

Netherlands

	Netherlands (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	24%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	80%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	60%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	84%	56%	52%
Examinations resulting in an adjustment (known outcomes)	32%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	24%	30%	31%
Penalties were imposed (known outcomes)	6%	18%	15%
Tax authority requested access to operational personnel during audit	31%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	6%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	52%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	71%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	92%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	64%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	12%	18%	22%
Have implemented the following structures:			
Limited risk distribution	32%	24%	22%
IP migration	16%	16%	14%
Contract/consignment manufacturing	32%	29%	27%
Centralized purchasing	60%	41%	34%
Low tax principal	16%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	36%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	20%	28%	33%

Netherlands

Transfer Pricing Strategies and Practices (continued)	Netherlands (Parents)	Europe (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	41%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	48%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	24%	27%
Use local comparables for all countries	24%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	40%	21%	21%
Of those who have used APAs, proportion that would use them again	90%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	20%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	31%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	19%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	33%	32%	33%

Europe

Norway			
	Norway (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	32%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	92%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	80%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	32%	56%	52%
Examinations resulting in an adjustment (known outcomes)	36%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	100%	24%	20%
Revenue authority threatened to impose penalties	60%	30%	31%
Penalties were imposed (known outcomes)	40%	18%	15%
Tax authority requested access to operational personnel during audit	21%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	14%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	64%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	75%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	92%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	52%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	24%	18%	22%
Have implemented the following structures:			
Limited risk distribution	12%	24%	22%
IP migration	4%	16%	14%
Contract/consignment manufacturing	12%	29%	27%
Centralized purchasing	8%	41%	34%
Low tax principal	8%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	44%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	44%	28%	33%

Norway

Transfer Pricing Strategies and Practices (continued)	Norway (Parents)	Europe (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	36%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	44%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	16%	24%	27%
Use local comparables for all countries	40%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	20%	21%	21%
Of those who have used APAs, proportion that would use them again	40%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	0%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	22%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	11%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	100%	32%	33%

Europe

Spain			
	Spain (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	20%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	84%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	72%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	4%	56%	52%
Examinations resulting in an adjustment (known outcomes)	0%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	0%	30%	31%
Penalties were imposed (known outcomes)	0%	18%	15%
Tax authority requested access to operational personnel during audit	0%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	100%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	0%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	0%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	56%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	52%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	12%	18%	22%
Have implemented the following structures:			
Limited risk distribution	4%	24%	22%
IP migration	0%	16%	14%
Contract/consignment manufacturing	0%	29%	27%
Centralized purchasing	20%	41%	34%
Low tax principal	0%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	16%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	52%	28%	33%

Spain

Transfer Pricing Strategies and Practices (continued)	Spain (Parents)	Europe (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	28%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	28%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	20%	24%	27%
Use local comparables for all countries	52%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	16%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	8%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	91%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	18%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	50%	32%	33%

Europe

Sweden			
	Sweden (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	48%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	96%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	84%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	60%	56%	52%
Examinations resulting in an adjustment (known outcomes)	45%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	0%	24%	20%
Revenue authority threatened to impose penalties	50%	30%	31%
Penalties were imposed (known outcomes)	36%	18%	15%
Tax authority requested access to operational personnel during audit	45%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	40%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	60%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	53%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	88%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	60%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	12%	18%	22%
Have implemented the following structures:			
Limited risk distribution	24%	24%	22%
IP migration	4%	16%	14%
Contract/consignment manufacturing	32%	29%	27%
Centralized purchasing	52%	41%	34%
Low tax principal	12%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	44%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	28%	28%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	12%	26%	27%

Sweden

Transfer Pricing Strategies and Practices (continued)	Sweden (Parents)	Europe (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	40%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	24%	24%	27%
Use local comparables for all countries	36%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	20%	21%	21%
Of those who have used APAs, proportion that would use them again	100%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	24%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	31%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	23%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	33%	32%	33%

Europe

Switzerland			
	Switzerland (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	76%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	88%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	80%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	76%	56%	52%
Examinations resulting in an adjustment (known outcomes)	54%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	33%	24%	20%
Revenue authority threatened to impose penalties	42%	30%	31%
Penalties were imposed (known outcomes)	5%	18%	15%
Tax authority requested access to operational personnel during audit	48%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	33%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	36%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	58%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	100%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	68%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	16%	18%	22%
Have implemented the following structures:			
Limited risk distribution	56%	24%	22%
IP migration	48%	16%	14%
Contract/consignment manufacturing	56%	29%	27%
Centralized purchasing	56%	41%	34%
Low tax principal	36%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	44%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	16%	28%	33%
“Consistency of documentation” is the highest priority in preparing their transfer pricing documentation around the world	20%	26%	27%

Switzerland

Transfer Pricing Strategies and Practices (continued)	Switzerland (Parents)	Europe (Parents)	Global (Parents)
Use pan-regional comparables sets across multiple jurisdictions	24%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	28%	24%	27%
Use local comparables for all countries	44%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	48%	21%	21%
Of those who have used APAs, proportion that would use them again	75%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	16%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	65%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	45%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	44%	32%	33%

Europe

United Kingdom			
	UK (Parents)	Europe (Parents)	Global (Parents)
Importance of Transfer Pricing			
Transfer pricing is the most important tax issue for their group	29%	42%	39%
Transfer pricing will be “absolutely critical” or “very important” for their group in the next two years	71%	80%	74%
Transfer pricing documentation is more important now than it was two years ago	65%	72%	65%
Audit Experience			
Transfer pricing policy has been examined by a revenue authority in any country since 2003	75%	56%	52%
Examinations resulting in an adjustment (known outcomes)	23%	29%	28%
Where adjustments occurred, tax authority imposed profit-split method	33%	24%	20%
Revenue authority threatened to impose penalties	10%	30%	31%
Penalties were imposed (known outcomes)	0%	18%	15%
Tax authority requested access to operational personnel during audit	50%	37%	36%
Performed additional comparables analysis to identify local comparables during audit	26%	22%	26%
Based on experience, consider the level of transfer pricing expertise within tax authorities to be “fairly good” or “very good”	23%	42%	40%
Overall audit experience has affected their ongoing transfer pricing risk management process	32%	52%	49%
It is “fairly likely” or “very likely” that a transfer pricing audit will be carried out in any part of their organization in the next two years	87%	86%	78%
Transfer Pricing Strategies and Practices			
Highest priority in driving transfer pricing strategy is tax risk management	63%	53%	50%
Highest priority in driving transfer pricing strategy is tax optimization	20%	18%	22%
Have implemented the following structures:			
Limited risk distribution	24%	24%	22%
IP migration	20%	16%	14%
Contract/consignment manufacturing	27%	29%	27%
Centralized purchasing	33%	41%	34%
Low tax principal	22%	15%	15%
Transfer pricing documentation is prepared concurrently, on a globally coordinated basis	31%	36%	33%
Transfer pricing documentation is prepared on an as-necessary, country-by-country basis, with limited coordination between countries	29%	28%	33%

United Kingdom

Transfer Pricing Strategies and Practices (continued)	UK (Parents)	Europe (Parents)	Global (Parents)
"Consistency of documentation" is the highest priority in preparing their transfer pricing documentation around the world	20%	26%	27%
Use pan-regional comparables sets across multiple jurisdictions	22%	32%	27%
Use pan-regional comparables sets, but with exceptions for specific jurisdictional requirements	43%	24%	27%
Use local comparables for all countries	27%	36%	38%
Controversy Management			
Use APAs as a controversy management tool	16%	21%	21%
Of those who have used APAs, proportion that would use them again	88%	85%	86%
Referred a transfer pricing matter to Competent Authority since 2003	18%	16%	17%
Transfer Pricing-Customs Integration			
Person responsible for transfer pricing in the organization has either input or control over setting prices for indirect tax purposes	58%	48%	48%
Product pricing for customs purposes has been challenged based on transfer prices for the same goods, or vice versa	19%	19%	19%
Were aware of information exchange in their audit case between customs and tax authorities	40%	32%	33%

Methodology

Consensus Research International, London, was again commissioned by Ernst & Young to carry out the 2007 Global Transfer Pricing study. The survey is a comprehensive investigation of transfer pricing practice and strategy among MNEs. In effect, there are two surveys, one of parent companies interviewed from the MNE headquarters

perspective, and one of inbound subsidiaries, interviewed from the local operating company perspective. The 2007 Survey encompassed the same 22 markets researched in 2005 plus India and China. Tables 1 and 2 show the countries included in the parent and subsidiary interviews, respectively. All surveys were conducted by telephone interview.

Table 1: Countries Surveyed in Parent Study

1997	1999	2001	2003	2005	2007
Australia	Argentina	Argentina	Argentina	Argentina	Argentina
Canada	Australia	Australia	Australia	Australia	Australia
France	Brazil	Belgium	Belgium	Belgium	Belgium
Germany	Canada	Brazil	Brazil	Brazil	Brazil
Italy	Denmark	Canada	Canada	Canada	Canada
Japan	Finland	Denmark	Denmark	Denmark	China
Korea	France	Finland	Finland	Finland	Denmark
Netherlands	Germany	France	France	France	Finland
Sweden	Italy	Germany	Germany	Germany	France
Switzerland	Japan	Ireland	Ireland	Ireland	Germany
UK	Korea	Italy	Italy	Italy	India
US	Mexico	Japan	Japan	Japan	Ireland
	Netherlands	Korea	Korea	Korea	Italy
	Norway	Mexico	Mexico	Mexico	Japan
	Spain	Netherlands	Netherlands	Netherlands	Korea
	Sweden	New Zealand	New Zealand	New Zealand	Mexico
	Switzerland	Norway	Norway	Norway	Netherlands
	UK	Spain	Spain	Spain	New Zealand
	US	Sweden	Sweden	Sweden	Norway
		Switzerland	Switzerland	Switzerland	Spain
		UK	UK	UK	Sweden
		US	US	US	Switzerland
					UK
					US

Table 2: Countries Surveyed in Subsidiary (Inbound) Study

1997	1999	2001	2003	2005	2007
France	Canada	Argentina	Argentina	Argentina	Argentina
Germany	France	Australia	Australia	Australia	Australia
Netherlands	Germany	Canada	Canada	Canada	Canada
UK	Mexico	France	France	France	China
US	Netherlands	Germany	Germany	Germany	France
	UK	Italy	Italy	Italy	Germany
	US	Mexico	Japan	Japan	India
		Netherlands	Mexico	Mexico	Italy
		New Zealand	Netherlands	Netherlands	Japan
		UK	New Zealand	New Zealand	Mexico
		US	UK	UK	Netherlands
		Venezuela	US	US	New Zealand
					UK
					US

Sample

The sample was originally drawn from Dun & Bradstreet in the United States and updated with e-mail addresses by Ernst & Young. Some markets were augmented using local Ernst & Young lists, ensuring that all companies conformed to the overall specification criteria. Thanks to the long history of our survey, we are able to ensure a strong consistency in our sample data. All companies were first qualified for inclusion, and any that failed to meet the qualification criteria were screened out at the start of the interview. The sample universe can be described as all global ultimates of MNEs (i.e., the company is headquartered in that market, not a subsidiary) which meet the following criteria:

If the global ultimate is in the US or Canada, it should have revenue of at least US\$500 million and have affiliates/subsidiaries on at least two continents besides North America (e.g., Europe and South America, Africa and Australia, etc.). If the list of companies with revenue higher than US\$500 million is short, the list will be completed with the next largest companies with the global ultimate in that country (i.e., starting at US\$499 million revenue).

If the global ultimate is in one of the Asian markets, including India, it should have revenue of at least US\$250 million and have affiliates/subsidiaries on at least two continents

besides Asia. If the list of companies with revenue higher than US\$250 million is short, the list will be completed with the next largest companies with the global ultimate in that country (i.e., starting at US\$249 million revenue). As the fieldwork for China yielded fewer parent companies than subsidiaries, the data contained in the country-specific findings for China are based upon a sample composed exclusively of subsidiaries based in that country.

If the global ultimate is in one of the European markets, it should have affiliates/subsidiaries in at least five other countries (the five or more other countries can be anywhere in the world). If the list of companies that fit this criteria is short, the list will be completed with companies with subsidiaries in four and then, if necessary, three other countries.

If the global ultimate is in Latin America, Australia, or New Zealand, it should have affiliates/subsidiaries in at least two other continents (e.g., Europe and Asia, Europe and North America, etc.). If necessary, the lists will be completed with the largest companies with subsidiaries on only one other continent.

Revenue Profile

The group revenue profile of the sample companies is detailed in the following tables:

Parents	
Turnover in US\$ millions	Proportion % (Base 655)
Up to \$100m	9%
\$100-\$500m	15%
\$500-\$1b	7%
\$1b-\$5b	30%
\$5b-\$10b	12%
\$10b or more	21%
Not stated	5%

Subsidiaries	
Turnover in US\$ millions	Proportion % (Base 195)
Up to \$100m	4%
\$100-\$500m	5%
\$500-\$1b	6%
\$1b-\$5b	19%
\$5b-\$10b	12%
\$10b or more	39%
Not stated	15%

Fieldwork

Interviews were carried out with the person with ultimate responsibility for tax policy and strategy in each organization. Most often this was the tax director, but also included were the chief financial officer or director of finance. Interviews were carried out between May and August 2007.

Analysis

The analysis and preparation of the survey results were conducted by Ernst & Young transfer pricing professionals throughout the world.

For further information regarding details of this global transfer pricing survey, please contact:

GLOBAL

Germany	Thomas Borstell	+49 211 9352 10601	thomas.borstell@de.ey.com
London	John Hobster	+44 20 7951 6438	jhobster@uk.ey.com
London	Sean Trahan	+44 20 7980 0424	sean.trahan@ey.com

ASIA-PACIFIC

Sydney	Paul Balkus	+61 2 9248 4952	paul.balkus@au.ey.com
Tokyo	Wayne Aoki	+81 3 3506 2411	wayne.aoki@jp.ey.com
Shanghai	Jonathon McCarthy	+86 21 24052847	jonathon.mccarthy@cn.ey.com

AMERICAS

Washington, D.C.	David Canale	+1 202 327 7653	david.canale@ey.com
Washington, D.C.	Tammy LeGrys	+1 202 327 7757	tammy.legrys@ey.com
Mexico City	Jorge Castellon	+52 55 5283 8671	jorge.castellon@ey.com

EUROPE

Amsterdam	Erik Kamphuis	+31 10 406 8630	erik.kamphuis@nl.ey.com
Hamburg	Thomas Huelster	+49 40 36132 11236	thomas.huelster@de.ey.com
London	Paul Griffiths	+44 20 7951 2948	pgriffiths@uk.ey.com
Milan	Luigi Colantonio	+39 02 851 4429	luigi.colantonio@it.ey.com

Ernst & Young Transfer Pricing and Tax Effective Supply Chain Management Country Contacts

ASIA-PACIFIC

Australia	Paul Balkus	+61 2 9248 4952	paul.balkus@au.ey.com
China	Phil Anderson	+86 21 24052269	philip.anderson@cn.ey.com
India	Srinivasa Rao	+91 98450 04866	srinivasa.rao@in.ey.com
Indonesia	Rachmanto Surahmat	+62 21 5289 5000	rachmanto.surahmat@id.ey.com
Japan	Wayne Aoki	+81 3 3506 2411	wayne.aoki@jp.ey.com
Korea	Chanho Song	+82 2 3770 0977	chanho.song@kr.ey.com
Malaysia	Janice Wong	+60 3 7495 8223	janice.wong@my.ey.com
New Zealand	Matthew Andrew	+64 9 3774790	matthew.andrew@nz.ey.com
Philippines	Romulo Danao	+63 2 894 8392	romulo.danao@ph.ey.com
Singapore	Jesper Solgaard	+65 6309 8038	jesper.solgaard@sg.ey.com
Taiwan	George Chou	+886 2 2720 4000	george.chou@tw.ey.com
	Rebecca Coke	+886 2 2720 2704	rebecca.coke@tw.ey.com
Thailand	Anthony Loh	+66 2 264 0777	anthony.v.loh@th.ey.com
Vietnam	Nam Nguyen	+84 8 824 5252	nam.nguyen@vn.ey.com

AMERICAS

Argentina	Carlos Casanovas	+54 11 4318 1619	carlos.casanovas@ar.ey.com
Brazil	Gil Mendes	+55 11 2112 5466	gil.f.mendes@br.ey.com
Canada	Greg Noble	+1 604 891 8221	greg.noble@ca.ey.com
Chile	Sergio Sapag	+56 2 676 1676	sergio.sapag@cl.ey.com
Colombia	Gustavo Pardo	+57 1 651 2210	gustavo.pardo@co.ey.com
Costa Rica	Rafael Sayagues	+1 212 773 4761	rafael.sayagues@ey.com
Ecuador	Javier Salazar	+593 2 255 5553	javier.salazar@ec.ey.com
Mexico	Jorge Castellon	+52 55 5283 8671	jorge.castellon@ey.com
Peru	Marcial Garcia	+51 1 411 4424	marcial.garcia@pe.ey.com
South America Leader	Gabriel Fuentes	+54 11 4875 4809	gabriel.fuentes@ar.ey.com
US	Bob Ackerman	+1 202 327 5944	bob.ackerman@ey.com
US	Purvez Captain	+1 713 750 8341	purvez.captain@ey.com
Venezuela	Katherine Pinzon	+58 212 953 5222	katherine.pinzon@ve.ey.com

EUROPE/MIDDLE EAST/AFRICA

Austria	Andreas Stefaner	+43 1 211 70 1041	andreas.stefaner@at.ey.com
Belgium	Herwig Joosten	+32 02 774 9349	herwig.joosten@be.ey.com
Croatia	Stan Jakubek	+421 259 229 111	stan.jakubek@sk.ey.com
Czech Republic	Jiri Teichmann	+420 225 335 327	jiri.teichmann@cz.ey.com
Denmark	Thomas Bjerre	+45 35 87 29 01	thomas.bjerre@dk.ey.com
Estonia	Leonas Lingis	+370 5 274 2279	leonas.lingis@lt.ey.com
Finland	Antero Joutsu	+358 9 172771	antero.joutsu@fi.ey.com
France	Franck Berger	+33 4 78 63 17 10	franck.berger@ey-avocats.com
Germany	Oliver Wehnert	+49 211 9352 10627	oliver.wehnert@de.ey.com
Greece	Alexandros Karakitis	+359 2 817 7141	alexandros.karakitis@bg.ey.com
Hungary	Denes Szabo	+36 1 451 8209	denes.szabo@hu.ey.com
Ireland	Joe Bollard	+353 1 2212457	joe.bollard@ie.ey.com
Italy	Davide Bergami	+39 02 851 4409	davide.bergami@it.ey.com

Israel	Lior Harary-Nitzan	+972 3 623 2749	lior.harary@il.ey.com
Latvia	Ilona Butane	+371 704 3836	ilona.butane@lv.ey.com
Lithuania	Leonas Lingis	+370 5 274 2279	leonas.lingis@lt.ey.com
Netherlands	Erik Kamphuis	+31 10 406 8630	erik.kamphuis@nl.ey.com
Norway	Marius Leivestad	+47 24 00 23 86	marius.leivestad@no.ey.com
Poland	Aneta Blazejewska-Gaczynska	+48 22 557 89 96	aneta.blazejewska-gaczynska@pl.ey.com
Portugal	Paulo Mendonca	+351 21 791 2045	paulo.mendonca@pt.ey.com
Russia	Henrik Hansen	+7 495 648 9608	henrik.hansen@ru.ey.com
Slovak Republic	Marian Biz	+421 259 229 130	marian.biz@sk.ey.com
Slovenia	Marc van Rijnsoever	+31 10 406 8626	marc.van.rijnsoever@si.ey.com
South Africa	Sean Kruger	+27 11 772 3996	sean.kruger@za.ey.com
Spain	Juan Jose Terraza Torra	+34 933 663 741	juanjose.terrazatorra@es.ey.com
Sweden	Mikael Hall	+46 8 520 592 35	mikael.hall@se.ey.com
Switzerland	Salim Damji	+41 58 286 4366	salim.damji@ch.ey.com
Turkey	Erdal Calikoglu	+90 212 368 5375	erdal.calikoglu@tr.ey.com
UK	David Lewis	+44 20 7951 8846	dlewis1@uk.ey.com
UK	Mike Lowe	+44 20 7951 2206	mlowe1@uk.ey.com

For general questions regarding the survey, you may contact Esther Dahmen at +49 211 9352 10288 email: esther.dahmen@de.ey.com or Meg Salzetta at +1 773 817 9012 email: meg.salzetta@ey.com

Ernst & Young's Global Transfer Pricing and Tax Effective Supply Chain Management (TESCM) Group

Successfully managing business and tax issues related to transfer pricing involves much more than documentation compliance. Transfer pricing affects almost every aspect of an MNE and can significantly impact its worldwide tax burden. Our transfer pricing and TESCM professionals help MNEs address this burden, as well as harness long-term tax and business benefits.

the most complex global and local transfer pricing issues faced by MNEs. We have integrated tax and economics into a unified transfer pricing approach that is an Ernst & Young hallmark. Our multi-disciplinary teams help MNEs develop transfer pricing strategies, tax effective solutions, and controversy management approaches that best fit their objectives.

The size and global reach of the transfer pricing group enable us to respond immediately with leading solutions to

Some highlights regarding our global transfer pricing and TESCM group are shown in the table below.

Ernst & Young Global Transfer Pricing Group Highlights

Our Global Network of Transfer Pricing Advisors	900+ transfer pricing professionals spanning 50 countries	<ul style="list-style-type: none"> • 400+ people in 11 countries in the Americas • 270+ people in 13 countries in Asia-Pacific • 270+ people in 26 countries in Europe, the Middle East, and Africa • 100+ transfer pricing partners, principals, and directors globally
Tax Authority Insights	Our global transfer pricing group includes former senior tax officials of 20+ countries	<ul style="list-style-type: none"> • 5 countries' tax authorities in the Americas (Brazil, Ecuador, Mexico, US, and Venezuela) • 5 countries' tax authorities in Asia-Pacific (China, India, Indonesia, Japan, New Zealand) • 12 countries' tax authorities in Europe, the Middle East, and Africa (Belgium, Denmark, Finland, Hungary, Israel, Netherlands, S. Africa, Spain, Sweden, Switzerland, Turkey, UK)
Transfer Pricing Regulatory Experience	Our professionals have been involved in advising governments on the implementation of responsible transfer pricing regulations for 20+ countries	<ul style="list-style-type: none"> • 4 countries' transfer pricing regulations in the Americas (Argentina, Mexico, US, Venezuela) • 5 countries' transfer pricing regulations in Asia-Pacific (India, Indonesia, Japan, Philippines, Taiwan) • 15 countries' transfer pricing regulations in Europe, the Middle East, and Africa (Belgium, Czech Rep., Denmark, Estonia, Finland, Greece, Hungary, Israel, Lithuania, Netherlands, Portugal, S. Africa, Switzerland, Turkey) • We have provided ad hoc advisory services to the OECD on transfer pricing issues, such as comparable company searches and transfer pricing documentation
Leader in Advance Pricing Agreements	We have negotiated 800+ APAs globally across 20+ countries	<ul style="list-style-type: none"> • We pioneered the APA process, having conducted the first APA globally in 1990 • We were involved in negotiating the first APA in 11 countries (Australia, Belgium, Canada, Czech Rep., Japan, Netherlands, New Zealand, Norway, Slovak Rep., Thailand, US)
Thought Leadership	Recognized as an authoritative innovator in transfer pricing globally	<ul style="list-style-type: none"> • Many of our people globally have regularly published technical articles during the last two years in professional periodicals such as the <i>BNA Transfer Pricing Report</i> • Our biennial <i>Global Transfer Pricing Survey</i> is recognized as the most authoritative research on global transfer pricing trends • Our <i>Global Transfer Pricing Reference Guide</i>, a web-based resource that is updated quarterly, provides rules, practices, and approaches for 40+ countries

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction, and advisory services. Worldwide, our 130,000 people are united by our shared values and an unwavering commitment to quality.

For more information, please visit www.ey.com. Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ERNST & YOUNG

www.ey.com

© 2007 EYGM Limited
All Rights Reserved.

EYG No. CS0013