

[XYZ] group

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# 1. Introduction

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## 1.1 Background

[XYZ] group has engaged [name advisor] (also referred to as “we”, “us” or “our”) to analyze the arm’s length nature of the intercompany transactions within the [XYZ] group and to assist the company with preparing transfer pricing documentation.

*[Please add information on the XYZ group introducing the company, its global footprint and the intercompany transactions it is engaged in the paragraphs below. This information should provide the reader of this Master file with a first impression of the XYZ group, consisting of, for example, a high level description of the activities, the main products it produces or services it renders, the most important markets it operates in, the turnover figure and the countries where it established group companies (or permanent establishment). Please find sample language below]*

*[Suggested information sources: XYZ company’s website for the activities, products, main markets and international footprint. The relevant intercompany transactions should be obtained from the tax or finance staff of XYZ group, and be validated in the functional analysis process]*

[XYZ] group is engaged in [insert description of activities and main products and/or services]. Over the years, [XYZ] group’s rich experience and entrepreneurial spirit have transformed the group from a local [country] supplier into a world leader in the [industry].

[XYZ] group started its operations in [year] and currently has more than [number] employees. The [XYZ] group generated a turnover of [number, currency] in 20[XX], serving customers in [number] countries. It operates through a network of group companies in [insert countries where the group operates through its own group companies and/or permanent establishments] and with an extensive network of distributors.

Due to its international operations and involvement in various stages of the value chain, the [XYZ] group is involved in a number of intercompany transactions. International transfer pricing rules require the [XYZ] group to provide substantiation for the arm’s-length nature of the applied prices for its intercompany transactions, and to prepare relevant documentation. The purpose of the documentation is to assist the [XYZ] group in demonstrating that it has considered its intercompany transactions with due diligence and that it has reasonable grounds for concluding that these transactions are priced in accordance with the arm's-length principle.

The arm’s length principle is set out in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations<sup>1</sup> (referred to in this report as ‘the OECD Guidelines’). This edition of OECD Guidelines is aligned with the documentation approach as recommended by the OECD in its Action 13: 2015 Final Report<sup>2</sup> (hereinafter also referred to as

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<sup>1</sup> OECD (2022), OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022, OECD Publishing, Paris.

<sup>2</sup> ‘Guidance on transfer pricing documentation and country-by-country reporting – Action 13: 2015 Deliverable’, published by the OECD/G20 on 5<sup>th</sup> October 2015.

## 3. Industry Analysis

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### 3.1 Introduction

This chapter contains a broad-based analysis of the industry in which the [XYZ] group operates. It is an essential step in obtaining a good understanding of the relevant economic circumstances and other features that may affect the operations of the [XYZ] group and its price setting, both for external parties as well as within the group.

[Please insert a description of the industry in which XYZ group operates, its main competitors, relevant economic and regulatory factors, and other elements that may be important for its operations and price setting]

[The following questions may be helpful in writing this chapter:

- What are the main trends and developments in the industry as a whole?;
- What does the industry life cycle look like?;
- Is the industry new, expanding, stable or declining?;
- Is the industry strongly affected by regulators?;
- What is the typical value chain within the industry and the key value drivers?;
- Is it growing faster, slower, or at the same pace as the economy as a whole?;
- Is the industry affected by seasonal and/or cyclical changes, if so, explain how?;
- What are the important competitors and their respective market shares?;
- How do businesses make money in your industry?]

[Suggested information sources: 10K-filing, commercial/marketing reports (e.g. competitor or market analyses), general industry information from business/industry associations, information on competitors in the market, information prepared for e.g. banks, investors or governmental organizations, trade or press publications. Below we included some placeholders as example]

### 3.2 Industry overview

[Please insert description]

### 3.3 Typical value chain in the industry

[Please insert description]

### 3.4 Competitive landscape

[Please insert description]

## 6. [XYZ] group's intangibles

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In this chapter we will first describe the identified intangibles within the [XYZ] group. Second, at a high level, the various paragraphs in this chapter address the following subjects:

- the overall strategy for the development, ownership and exploitation of intangibles;
- a list of main intangibles that are important for transfer pricing purposes;
- a list of main intercompany agreements related to intangibles;
- a general description of the transfer pricing policies relating to the intangibles; and
- a general description of important transfers of intangibles.

### 6.1 Identified intangibles

Within the [XYZ] group the following intangible assets are identified for transfer pricing purposes.

*[This section focuses on the intangibles that can be identified. Companies may have many different types of intangible assets. Many of these can be unique to a specific company, making it very hard to compile a comprehensive list of intangible assets. However, some of the more common types include: patents, copyrights and licenses, customer lists and relationships, unique software, unpatented proprietary technology and trademarks/trade names. For transfer pricing purposes it would be relevant to identify the intangibles that are key to the success of the group. Please find below sample wording]*

#### 6.1.1 [Suggested information sources: company website, 10K-filing, annual report, internet (key word: patent registration), interviews with management] Patents and related know-how

The patents and related know-how of the [XYZ] group's research and development is a key value driver for the group. It consists of [insert description of the nature of the patents]. On an annual basis the [XYZ] group spends some [currency, amount] on research and development. Through these patents and know-how, [SalesCo] is able to offer its clients a portfolio of cutting-edge products, which differentiate from its competition.

#### 6.1.2 Customer list

[SalesCo] is responsible for the marketing and sales in its local market. Through its efforts and listening and responding to the demands of the customers, [SalesCo] companies have built a relatively "loyal" customer base. Some of these customers are having long-term contracts and could be considered as an installed customer base.

#### 6.1.3 [Other intangibles]

[Please insert a description of other relevant intangibles for XYZ group. Examples of intangibles could be trademark, trade name, developed information technology systems, product recipes, copyrights etc.]

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Appendix G	Consolidated financial statement