1) Cost contribution arrangement is a contractual agreement between associated enterprises to share the contributions and the related risks to joint development, production or obtaining an intangible assets, tangible assets or services with the expectation to share the benefits from the exploitation of such assets or services.

For the CCA to be in line with the arms length principle the expected benefits should be proportional to contribution each enterprise perform. In addition, only those who contribute shall receive benefits considering that such party can exploit the rights.

The implications of arms length price on this agreement is that the benefits should be proportionate to the contribution and share of the risks included in the start of agreement. In addition it should take into consideration the commercial and financial relations between two independent party because that ALP principle works like this.

There are two types of CCA, the development CCA and the service CCA, the former is agreement to develop tangible or in tangible assets, the later is to provide service.

The benefits of development CCA usually take time specially in the developments of intangibles. while the benefit from services usual current.

the structure and documentation of CCAs should be established to be as follows:
1- participants of the CCA which should include only those expected to benefit from the CCA.

2- the list of other participants who are expected to benefit from CCA.

3- the activities covered, specific projects.

4- Duration of the agreement.

5- the proportionate share of each participant in contribution, and benefits including risks.

6- the Value of contribution.

7- Any provisions for Buy in payments.

8- Any provisions for balancing payments.

9- Provisions for buy out payments.

10- any adjustments.

these information expected to be included in the master file and local files as part of TP documentation.

Refer to chapter 8 of OECD TP guild lines for more Information on CCA.

the documents.

2)

Following BEEPS projects specially action point one which deals with digital economy, A progress has made toward handling the
issues and challenges of Digital economy on taxation and transfer pricing.

- OECD issued interim report in March 2018 which provided a legislative support to handle tax erosion and profit shifting regarding digital economy.

under this report they included the following challenges of details economy:

- many valuable IP moved across multinational enterprises.
- shifting without economic substance for digital services.
- review of nexus approach and data.

other initiative by EU commission to handle issues issued proposal almost in the same period

as per the proposal digital PE exist if MS case 7 euro million in revenue more that 100,00 user, and 3,000 business contract.

also a proposal to post 3% sales tax on digital selves.

all these work to be agreed and completed in 2020.

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Answer-to-Question-8-

1) As per article 25 of OECD model, a taxpayer can request for
mutual agreement procedures if as a result of actions taken by one or more of tax authority double taxation arise or result in imposing taxation not in accordance with the MTC.

Usually the taxpayer will request MAP from the tax authority in which it is resides, and as result of primarily adjustment happened in other country, so the tax payer can pursue MAP to sole the double taxation by requesting corresponding adjustment under article 9(2) of the OECD.

Chapter 4 section C of OECD guidelines presented some concerns to MAP including possibility of access denial and time limits conflicts. You can refer to this.

A relevant new case law in this respect is Siftc Canada corporation which requested MAP to apply corresponding adjustment to avoided double taxation between the Canadian company and its US related company.

Action point 14, introduced minimum standard to make dispute resolution more timely and effective by ensuring that taxpayers can have access to MAP when eligible. many country declared the commitment to do so including Australia.

2) As per article 25 (1) OECD model, a taxpayer can request for mutual agreement procedures if as a result of actions taken by one or more of tax authority, taxation imposed not in accordance with OECD MTC.

The taxpayer can request MAP within two years of notification.

paragraph 2 of the article states that tax authorities shall endeavour to solve the dispute if justified within time limits in domestic law.
Paragraph 3 involve question of interpretation not otherwise included in convention.

The most interesting paragraph is 5 which provide for going to arbitration if the dispute did not solved within two years.

The arbitration process is part of MAP process in convention. As per the commentary to the article now the process of arbitration is mandatory.

Relevant case law is Glaxo US which went to MAP to resolve dispute, however, UK and US tax authority did not reach to agreement.

Many problems arise in application of this process. However, it is worthy to mention that many country committed themselves to intrudes binding arbitration in there tax treaties including Canada and France.

3) EU arbitration convention:

the EU commission recently issued report on dispute resolution process.

the main points of convention are as follows:

- Taxpayers can pursue arbitration process through domestic courts outside the MAP process. this means that if taxpayer denied MAP it can go to arbitration.

- IF the dispute did not solved with 6 months by corresponding adjustment, tax payer can go to MAP.

- IF MAP Denied, or it did not solve te problem, go to
arbitration.

- Advisory commission include representative from MS and independent arbitrators to solve the dispute.
- the process allows more flexibility.
- EU will not wait longer to handle this issue.
- application is by January 2017.
- Many countries objected like Ireland.

Answer-to-Question-_3_

business restructuring is the process of reorganization the commercial and financial relations between associated enterprises including the termination and substantial renegotiation of existing agreements:

Many things should be regarding for business restructuring including:

- business reasons and benefits from restructuring.
- the functional analysis pre and post restructuring.
- Options realistically available to parties.
- the transfer of some thin of value in restructuring including going concern.
- post restructuring remuneration.
- Indemnifications for termination and renegotiations.
Pre the restructuring:

**Concorde group**

**Functions:**

- Manufacturing.
- After sales services (significant)
- Maintenance and rebuilding markets.
- IP protection (Significant)
- Sales to associated enterprises.
- Strategic management.
- Marketing (Significant)
- Inventory Management.

**Assets:**

- IP (know how, trademarks)
- PPE
- Warehouse.

**Risks:**

- Market risk.
- IP infrequent risk.
- Product development risk.
- Inventory risks.
- Credit risk.

This company is considered a fully fledged manufacturer with sales and marketing services as it assumes the majority of risks and has entrepreneur functions.
Sub 1:

functions:

- research and development.
- operations as directed.

Assets:

- PPE
- IT equipment.

Risks:

- archiving work as per milestones.

this company is low risk service provider as we assume it did not bear risks of developments of IP.

SUB 2

not exist.

Sub 3

Not exist.

After restructuring:

Concorde company:

now it perform only global service and financing services as it has only low number of employees. In addition it perform admin support and sales support to other groups. It now did not own the
IP and the manufacturing premise already terminated.

- It is important to determine whether the transfer of IP to Sub 2 is arms length considering the valuation of IP is hard. Which method of valuation is used, OECD TP guidance recommend discounted cash flow. Consider hard to value intangible and highly uncertain intangibles.

- Whether Concorde should be indemnified for the shut down of its manufacturing building.

- Whether Concorde still perform development, maintenance, enhancement, protection, and exploitation after restructuring if such it should be remunerated.

Now this company can be regarded as services provider to other company.

**other companies**

sub 1 no change almost.

Sub 3 new established to provide contract manufacturing.

functions manufacturing.
Assets PPE
Risk low risk

it is contract manufacturing.

Sub2 now holding IP, we should confirm whether it perform development, maintenance, enhancement, protection, and exploitation after restructuring if such it should be remunerated.
we should confirm whether post restructuring royalty for use of IP by other sub is AL.

2)

the transfer pricing issues are as follow:

- accurate delineation of transactions.

- whether the restructuring reflects economic reality.

- Whether the parties follow the contractual terms if not actual conduct should be used.

- Valuation of IP issues.

- who perform DEMPE function for IP.

- Bus sines reasons for IP.

- considering recharacterization of transaction if they did not reflect rationality.

- economic substance.

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Answer-to-Question__1

1)
appropriate delineation of the transaction is the way to choose the appropriate TP method. First, we have to identify the commercial and financial relations based on comparability factors of the associated parties after this we choose the appropriate method based on these facts.

Comparability factors are as follows:

- We have to identify the contractual terms between SUB1, sub2, and sub3 with the parent company.

- Perform full functional analysis in order to determine the activities, assets, and risks which are significant to the creation of values to business.

Sub 1, 2, and 3 merely obtaining customer requests and placing orders on global tradeable financial instruments.

We will assume that these subdirectories do not assume the significant risks and they merely receive commission for the orders.

- Service characteristics placing orders.

- Economoe circumstances:

A and B sub operating in highly sophisticated market compared to 3.

- Business strategies should be noted.

The transfer pricing documentations that should be filed with tax authorities are as follows:

- Master file: this file should be submitted by the ultimate
parent company which is Advisory co. it provide high level review of the MNE groups and include:
1- business structure.
2- description of MNE business.
3- MNE intangibles.
4- Financial tax position.
5 financial transaction of MNE

- local file: should be filed by each local entity and include description of material transaction between associated enterprises including pricing arrangements comparables TP method.

- Country by country reporting:

should be filed by ultimate parent and it helps tax authority to make high level transfer pricing assessment.

this file include:

1- the global allocation of MNE group income and taxes.
2- income taxes paid.
3- constituent entities.

2) appropriate TP methods

a)

Subco 4 provide entragroup services to other associated enterprises
we have first to identify whether the service has been provided, the apply the ALP by using methodology.

If the company provide the same services to other third parties, there is a possibility to find internal CUP and apply CUP method. Since the company is highly specialized we may not be able to find external CUP.

If CUP connate be used cost plus appropriate mark up is appropriate method as the company provide services.

b)

Marketing and protection of the bran are performed by sub 5.

looking to signficancy of the marketing and the brand in this industry, we assume that this company perform signficat function as it contribute to value creation and IP. the Advisory co is the legal owner of the IP

therefore the most appropriate method could be using the profit split method as both companies contribute to valuable IP and integrated at the same time.

the remuneration should be based on there relative contribution considering what third parties could dive this profits.

C)

the Use of Barndname by SUB 1,2, and 3 should be reflected in a license fees usually.

possible to use CUP to price the ALP of royalty.
If Advisory co license the brand to third parties, possible internal CUP available, otherwise looking to external CUP.

Relevant case law is Veritas soft were which used CUP to determine ALP for the royalty payment paid to parent company for use of IP and accepted by US tax court.

Answer-to-Question-_2_

1)

the considerations that should be taken into account are as follows:

- the time of the loan.
- Duration of the loan.
- Amount of the loan.
- the existence of collateral.
- the existence of security.
- LIBOR rate.
- the existence of guarantee.
- the creditworthiness of the borrower.
- the macroeconomic factors including inflation and the currency exchange rates.
- commercial reasons for the loan.
- Low risk interest rate.
- premium.
- Financial leverage (debt/equity)
- cash coverage.
- safe harbours.
in all cases the loan should be determine based on ALP considering all of the above factors and what an independent third party should price in combinable circumstances.

2)

A)

Paragraph 7.13 of chapter 7 which deals with intra group services handed the issue.

Based on this paragraph, an associated enterprise is not receiving services for the mere membership of the group (passive association).

However, an intra group service exist when due to deliberate action of the group enhanced the credit worthiness of the associated part.

this means that if association of a group of itself does not require charge for incidental benefit. However, if it resulted from deliberate actions a service is justified.

the discussion in the area of explicit and implicit guarantee is controversial between countries in this regard.

considering the relevant case laws which handed the concept of implicit and explicit guarantees as follows:

GE capital Canada:

under this case GE capital Canada was able to have a credit with lower interest rates due to explicit guarantee by its related
party GE capital US. the court agreed that a charge is justified for the guarantee fees as is increased the credit profile of GE capital Canada.

the court consider both implicit and explicit guarantees. this case also considered pricing of guarantee fees as something between the benefit received and the cost of guarantee paid.

Chevron Australia:

this case works differently in that it was held that an implicit guarantee already exist and the group should not charged the associated enterprise for it.

B)

Yes there are.

MAP process under OECD model convention considering the arbitration process.

Arbitration convention introduced by EU is relevant in the circumstances to consider.

Article 25 of OECD MTC designed to solve dispute in the area of taxation and transfer pricing.

When an adjustment is taken by country under article 9 (1) the other country can apply for corresponding adjustment under article 9 (2) to sole the double taxation.

consideration should be regarded for compensation adjustments and
secondary adjustments.

relevant case laws are Glaxo US and Sifto canada.

for further information Cection c of chapter 4 of TP guildlens provide further details.