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**Analysis and coordination of tax policies**

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**EU JOINT TRANSFER PRICING FORUM**

**BUSINESS CONTRIBUTION ON ON SECRETARIAT'S**

**DOCUMENT ON INTRA-GROUP SERVICES**

**Meeting of 5<sup>th</sup> June 2008**

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## **1. Issue**

For purposes of the meeting of June 5 and the agenda topic centralized intra-group services we reviewed the 27 questions posed in document JTPF/001/2008/EN and came to the conclusion that for all practical purposes, 4 (clusters of) questions could be considered as having a higher priority than others.

These are:

1. Qualification of services (Question 2)
2. Direct vis-a-vis indirect charges (Questions 10, 11 and 12)
3. Risk categorization and mark-ups on cost(Questions 18 and 9)
4. Documentation of evidence on services (Question 26)

## **2. Discussion**

### **2.1. Questions deemed most relevant**

#### **1. Qualification of services**

We determined that question 2 would be relevant if it would result in a delineation of three categories of services:

a) Shareholder costs: services rendered for the sole benefit of the shareholders. Examples are: shareholder meetings, preparation of annual reports, communication vis-à-vis shareholders, and compliance with regulatory regimes applicable to publicly listed companies that can be deemed to exist for the benefit of investors/shareholders.

b) Added Value services (regards services that are also found in the market): cost of services performed for a measurable benefit of a specific group entity or for the operating companies.

c) MNE specific services: cost related to the activities performed by the headquarters/parent company for purposes of stewarding/managing the group as a whole or business lines amongst groups and as such for the benefit of the group but that are neither shareholder costs, nor regular services easily found in the market for which direct comparables exist and may not be directly allocable to special groups. The benefit discussion may from time to time be more complex for these services.

In this latter category, it could be considered whether case examples, would prove to be helpful for taxpayers and tax authorities to determine whether and the way in which these are to be charged out, the margins applicable (if any).

#### **2. Direct vis-a-vis Indirect charges**

Several questions could be clustered that regarded this issue. One main concern of business is that an indirect charge may not be respected and that one or more allocation key(s) would be required that would de facto lead to an additional level of administration for business. Simplicity, efficiency and leniency seem required here.

#### **3. Risk categorization**

This issue focuses on standardization of mark-ups on costs and differentiating between costs that do and do not need a mark-up. Several countries have imposed a regime where certain low risk activities require no mark-up but just an allocation, and other services are considered value adding and require a (higher) mark-up. If experience related margins could be compared and discussed, this could perhaps alleviate the costs related to transfer pricing compliance and documentation.

#### **4. Documentation of evidence related to services**

This regards what documents can serve as evidence with respect to services rendered.

### **3. Conclusion**

The Business Members are willing to make practical suggestions as it relates to the above 4 categories for further discussions during the next EUJTPF meeting.