

**Brose –
Systemlieferant der internationalen
Automobilindustrie**



EU Joint Transfer Pricing Forum
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ZST

Economic valuation in transfer pricing (TP)

Economic valuation methods entered the "TP world"

- **Pre BEPS:**

- Nr. 9.94 Chapter IX TPG "*may prove useful*" for business restructuring

- **Post BEPS:**

- Nr. 6.150 – 6.177 Draft Chapter VI TPG especially Discounted Cash Flow in the context of intangibles
- Nr. 39 Draft Chapter VIII TPG buy in/out payments in the context of Cost Contribution Arrangements
- Nr. 9 Draft on Hard to Value Intangibles, on uncertainty of profit projections price adjustments

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- **Internationally and nationally various valuation standards and guidelines for the valuation of intangibles are already available**
- **Examples for such valuation standards and guidelines are:**
 - ISO 10668 - Brand Valuation - Requirements for Monetary Brand Valuation (ISO, August 2010) Don't we have something in Europe
 - IDW S 5 - Valuation of Intangibles Assets (IDW, latest version August 2010)
 - DIN 77100 - Patent Valuation - General Principles for Monetary Patent Valuation (DIN, November 2010)
- **BUT.....**

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Based on OECD TPG, JTPF could develop guidance/checklists for example on

- What to price (transactions, aggregation, asset)
- How to use the method (pros and cons of methods, crucial aspects like lifetime of IP, risk-factor, interest factor)
- Which pitfalls to avoid and
- Where to get the information (which data to access to data for profit projections and how to use)

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Experience could be shared for example

- US: from Section 482 on valuation in the context of Cost Sharing Agreements
- Germany: Paragraph 1 Foreign Tax Act on hypothetical arm's length test

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Experience could be shared and recommendations could be developed on practical consequences for tax administrations for example on:

- How to implement and
- Which challenges will be faced e.g. on how to build capacity in the administration