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INDEPENDENT TAX CONSULTING



# Dansk-Tysk Handelskammer

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Danish Transfer Pricing Rules in an International Context



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# Our Firm and Services

- Denmark's only independent boutique tax advisory firm.
- Emphasis on high-end, international and complex tax matters.
- Offer a full service on transfer pricing:
  - Development and implementation of TP strategies.
  - BEPS TP implementation.
  - TP dispute assistance and negotiations.
  - APA and MAP assistance.
  - IP, finance and business restructuring.
  - Optimization of TP processes.



# TP International Perspective

- Transfer pricing remains on top of the tax agenda, since tax authorities continue to fight over tax revenue.
  - Increasing tax disputes (legal boundaries and business models are being challenged).
  - Strengthened legislation in terms of transparency and sanctions.
- Denmark follows OECD and EU recommendations.
  - Legislation in accordance with international tendencies.
  - Accordingly, it is relevant to review current trends.
  - The BEPS (Base Erosion and Profit Shifting) agenda.
    - Post BEPS world has led to strengthened tax legislation across the globe.
    - All EU countries have agreed to implement OECD/G20 BEPS reports.



# TP International Perspective

- Current trends:
  - BEPS reports on IP rights, low value added services etc.
  - Master file, Local file, Country-by-Country Reporting (CbCR).
  - EU Tax Transparency Package:
    - EU encourage to be global trailblazer in this area.
    - *"The Commission adopted a proposal for a Directive which imposes on EU and non-EU multinational groups the publication of a yearly report on the profit and tax paid and other information. This report will enable citizens to assess the tax strategies and the contribution to welfare by multinationals."*

# TP International Perspective

- Administrative cooperation in the field of taxation:
  - Effective from 1 January 2017: Exchange of information regarding cross-border tax rulings and advance pricing arrangements (APAs).
  - 2016: Country-by-Country reporting - political agreement already made.

## Mandatory automatic exchange of information

- Applicable to any MNE with a total turnover of more than EUR 750 mill.
- Also applicable to third country MNEs with EU subsidiaries or branches
- Requirement for parent company to submit CbCR to tax authorities
- Includes:
  - Aggregate information relating to amount of revenue,
  - Profit (loss) before income tax,
  - Income tax paid, income tax accrued,
  - Stated capital, accumulated earnings,
  - Number of employees,
  - Tangible assets other than cash with regard to each jurisdiction in which the MNE operates.

## Public disclosure of information regarding taxes paid country-by-country.

- Includes:
  - Nature of activities
  - The number of employees
  - The total net turnover made
  - The profit made before tax
  - The amount of income tax due in the country in the country
  - The amount of tax actually paid during that year, and
  - The accumulated earnings.



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# TP International Perspective

- Take aways:
  - Increased compliance burdens and transparency.
  - Increased risks of double taxation and disputes.
  - Best way to tackle this is through documentation and preparation (including APAs).



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