



# Transfer pricing for a Group undergone a restructuring

**Sector:**

Technology

**Annual turnover:**

Over US\$40 million

**Client challenge:**

- Restructuring
- Prolonged operating losses

**Grant Thornton services:**

Reviewing existing TP policies and provide recommendations on alternative TP policies

**Geographies served:**

Asia Pacific, Europe, USA, Latin America, Middle East, and Africa



One of the largest international providers of technology solutions for the global hospitality industry needed to justify their Transfer Pricing (“TP”) policies after the acquisition

Do you have similar challenges? Contact the lead partner:

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**Client challenge**

**Prolonged operating losses and restructuring**

Despite being in a booming industry, our Client incurred multiple years of operating losses with significant related party transactions.

Following an acquisition by an international technology firm in USA, the volume and complexity of cross-country recharges relating to intercompany loans, intangibles and intra-group services also increased.

As a result, the above gave rise to a need for the Group to review the relevance of their existing TP policies and refine the same to better fit today's TP compliance landscape.

**The Grant Thornton solution**

We provided recommendations in Phase 1, including:

- Reclassification of intra-group services into more specific categories so that the arm's length prices can be determined at a more precise manner

- Charging related parties for services they received
- Applying the direct charging mechanism where possible
- Identifying pass-through costs and eliminating recharges when no specific service can be identified

High-level reviews of the recommended TP policies were also conducted from a direct tax and indirect tax perspective in the five highest revenue generating jurisdictions.

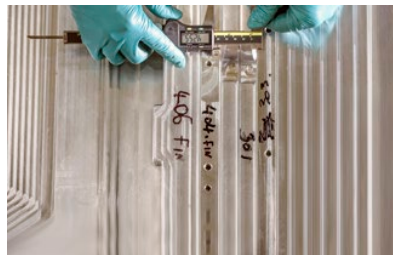
In Phase 2 of the project, new TP policies were documented, and arm's length prices were determined via benchmarking analyses.

**The Outcome**

The Group was able to establish precise arm's length pricing arrangements for their individual transactions enabling the individual members to have a more robust transfer pricing defense in their respective jurisdiction.



# Transfer Pricing Planning for a start-up



## Background

Our Client is a multinational technology start-up that operates in the Healthcare Information Technology industry.

The Client engaged Grant Thornton Singapore to review its existing inceptive transfer pricing (“TP”) policies and provide recommendations on alternative TP policies.

## Client Challenges

### Compliance with multinational transfer pricing guidelines

The Client had entities operating in Singapore, Philippines, Indonesia serving end-users largely within South East Asia. The Client wished to establish a TP policy that is consistent with the Organisation for Economic Co-operation and Development principles and meets the local TP rules in jurisdictions the Group operates in for the best implementation.

### Determining the market value of similar services

The Client needed objective and reliable data showing how other companies priced similar services in the open markets of each jurisdiction.

### Applicable long-term strategic policy

The Client’s business was picking up quickly and the management planned to expand the activities to other countries in the region in years to come. The Client were desirous of putting in place an appropriate pricing structure which could be easily leveraged for their proposed set ups.

## Our Solutions

### Designing appropriate Model

We assisted the client design appropriate operating models that could be adopted across multiple jurisdiction which was consistent with their commercial objectives. The design included articulation of the operating structure, the modus operandi, substance tests and the flow of revenues amongst the affiliate entities.

### Consideration of the value chain analysis

For the selected model, we conducted an analysis of functions, assets and risks to identify and characterize the Client’s intercompany transactions and relevant parties.

### Economic analyses

We proposed an appropriate range of pricing policies for intercompany transactions (e.g. the software development services and distribution activities) through comprehensive economic analyses.

## The Outcome

We identified potential risks and gaps of the current TP model and recommended two new models. Our TP planning study on the new models gave the Client clear and effective guidance to proceed with not only their existing but future operations in multiple jurisdictions.

We also assisted the Client in implementing the recommended transfer pricing models / strategies.