Transfer Pricing Automation
Excellence in Technology, Content & Service

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TPMinds International

Conference: 14 & 15 June 2022
Workshops: 13 & 16 June 2022
Hilton Bankside Hotel, London

Panel Discussion: „Achieving Excellence in Operational Transfer Pricing – Practical Automation Experiences" together with experienced operational TP experts from Bosch, Dell, Henkel and Merck. Please find below the replies to your panel questions from a panelist perspective:

1. How long was the implementation in the case of [group]?

Generally it is important to understand that Optravis plans the implementation projects in a way that the involved project team members can still continue to work on their day-to-day tasks. Optravis needs about 10-15% of the resources of such team members. Acc. to Optravis practical experiences, it is unrealistic that companies allocate 100% of the team resources to the implementation project. At [group] Optravis implemented Business Unit by Business Unit because of the size of [group]. Smaller BU's took about 4 months, bigger BU's about 9 months.

2. If there is a change in the supply chain how easy is it to change what you have implemented ?

First of all, there are monthly/ quarterly "data push" workshops with Optravis where we discuss and agree on the treatment of new/ changed data. If there is a change in the supply chain, we usually see this in the data and we adjust the P&L segmentation or TP method accordingly within such workshops. So, changes can be implemented easily with the support of Optravis. Not only YTD changes are discussed. The most common question is how to set non existing TP's for a new transaction flow. Here we can reallocate flows easily via different options and simulate resulting impacts and required TP's.

3. How many tax staff were freed up for other priorities post project?

Due to the very high automation degree of the Optravis solution, companies free up about 20% to 60% of their global resources within the TP process. For example, a 5bn EUR revenue group did reduce from 30 to 2 FTE's. Very often, the resources are mainly reduced within the oTP teams, which are often sitting in the local/ regional/ global controlling teams.

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4. Did you have to buy consultancy services with the technology or you were able to buy only technology?

We wanted to "clean up" our TP model incl. TP methods and benchmarking interquartile ranges before we automate the price setting process. Therefore, we used consultants for such pre-implementation services. During the implementation of the Optravis solution, Optravis was performing the customizing so that the tool 100% fits our TP model, supply chain, P&L segmentation logic, forecasting strategies, customs implications, warnings etc. In general, the Optravis SaaS Fee includes a managed service to support us especially during the price updates, year end adjustments, forecasting etc. but the scope of the service can be defined individually and considered in the SaaS Fee.

5. How much did it cost?

The Optravis solution is self-funded. This means that the net cash savings are (significantly) higher than the annual SaaS fee. And such SaaS fees are significantly lower than any in-house-development investments (internal plus external resources). During the Proof of Concept project Optravis is testing the data availability, quality and granularity and we jointly develop a conservative business case. So, after the PoC Optravis provides the scope and budget for this SaaS offering, whereas the number of entities, the complexity of the TP model, the frequency of data updates and adjustments etc. determines the SaaS fee.

6. What automation solutions did you use and can you make an example of how you implemented an OTP solution?

We are using the Optravis solution. You should always start with a PoC. If the result is positive, then Optravis will provide a scope & budget for the SaaS offering. See other replies for comments to the implemenation.

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7. How do you tackle the challenge of operational TP between local GAAP and consolidation standards used (e.g. IFRS) for calculations vs local file data

Optravis: This question contains strategic and operational aspects. From a strategic perspective, groups are free to choose which GAAP they want to use for the global TP margin monitoring & steering and the subsequent TP calculation. Practically, since most of the groups do not have monthly or quarterly local GAAP financials, global GAAP (e.g. IFRS, US-GAAP) financials are used in the Optravis tool for P&L segmentation, margin steering and price setting. We highly recommend to clearly state within the I/C agreements that e.g. IFRS is the right basis for margin testing to avoid subjectiveness or cherry-picking by local authorities. This approach should be fully in line with OECD guidelines. Now, on the other hand some companies and advisors think they have to use local GAAP financials in their local files. According to our experiences, you rarely find such statements within the local law. Authorities may ask for local GAAP financials (without legal basis), but what shall you do if you only have segmented P&L data based on IFRS? We recommend to clearly describe the global P&L segmentation, margin steering and price setting process based on IFRS within the TP documentation to convince the authorities that only the IFRS financials count. Of course, there may be single cases, where the local GAAP profit is every year lower or even a loss compared to the IFRS result. Then, we fix such cases by considering a certain profit decreasing adjustment within the IFRS P&L segmentation so that the actual IFRS EBIT will be higher than expected, but the local GAAP EBIT will be within the target IQR.

8. Which was the biggest challenge: cleaning and manipulating data already in your ERP system or addressing ‘missing data’ e.g year end accounting done in excel?

We did not clean a lot of data in the ERP system because Optravis is using an own fully customized and highly automated data cleaner which fixes all master data which is required for the whole P&L segmentation and price setting process. We implemented an ex ante price setting approach. Only exceptionally, we need year end adjustments. Also they are fully calculated within the tool. We do not use Excel any more for this.

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