

Please refer to the instruction sheet for completing this form

1 Name of the taxpayer

2 Tax ID

3 Address

4 Country of residence

Annex B: Examples of Country Rules on Documentation

B.1 Korea¹

B.1.1. Reporting of the method of determining an arm's length price to the tax authorities

A taxpayer should select the most reasonable method of determining an arm's length price in

11. Forms or items not submitted to the district tax office in filing tax return;
 12. Other data necessary for computing an arm s length price.
- The above data must be prepared and submitted in Korean. However, they can be prepared and submitted in English if tax authorities permit it.

B.2.2. Enterprise-wise documents

These documents describe the enterprise, the relationship with other associated enterprises, nature of business carried out, etc. This information is largely descriptive [Clauses (a) to (c) of Rule 10D(1)]

respective parties would be relevant here. The economic characterisation of parties would assist the taxpayer to determine the ~~sted~~ party.

would be prepared to trade off its current profits in expectation of increased future profits under same / similar conditions.

Hence, if a taxpayer intends to implement such a strategy, it is imperative, on its part to document all the key facts / circumstances under which such a strategy is implemented and how the implementation of such a strategy meets with the arm's length principle. Documents for this purpose could be market feasibility report, document highlighting broad outline of the strategy, benefits sought to be achieved, future profitability outcome/budgets that would demonstrate assumptions for adopting this strategy, etc.

B.2.7. Documenting distress sales

A distress sale is a forced sale of an asset / investment at significantly reduced price because of certain necessity / crisis.

To illustrate, a project office which is abruptly closing down sells its assets to group companies. In cases of distress sale, the documentation for such a transaction should demonstrate the rationale behind a distress sale and the justification on how the said international transaction meets with the arm's length principle. Documents for this purpose could be minutes of the board, shareholders

(a) The audited accounts, tax and capital allowances computation for the year of assessment and a true and correct statement in writing containing the amount of profit from each and every source computed;

(b) A duly completed self-assessment form as may be prescribed by the Service, from time to time, attested to by a director or secretary of the company and such attestation shall contain a declaration that it contains a true and correct statement of the amount of its profits computed in respect of all sources in accordance with this Act and any rule made and that the particulars given in such return are true and complete; and

(c) Evidence of payment of the whole or part of the tax due into a bank designated for the collection of the tax,

(1) For the purpose of obtaining full information in respect of the profits or income of any person, body corporate or organization the Service may give notice to that person, body corporate or organization requiring him or it within the time specified by the notice to-

(a) Complete and deliver to the Service any return specified in such notice;

(b) Appear personally before an officer or the Service for examination with respect to any matter relating to such profits or income;

(c) produce or cause to be produced examination books, documents and any other information at the place and time stated in the notice which, time may be from day-to-day, for such period as the Service may deem necessary; or

(d) Give orally or in writing any other information including name and address specified in such notice.

(2) for the purpose of paragraph (a) to (d) of subsection (1) of this section, the time specified by such notice shall not be less than 7 days from the date of service of such notice except that an officer of the Service, not below the rank of a Chief Inspector of Taxes or its equivalent, may act in any of the cases stipulated in paragraph (a) to (d) of subsection (1); without giving any of the required notices set out in this section.

(3) A person who contravenes the provisions of this section is, in respect of each offence, liable on conviction to a fine equivalent to 100 per cent of the amount of the tax liability.

(4) Nothing in the foregoing provision of this section or in any other provision of this Act shall be construed as precluding the Service from verifying by tax audit or investigation into any matter relating to any return or entry in any book, document, accounts including those stored on a computer, in digital, magnetic, optical or electronic media as may, from time to time, be specified in any guideline by the Service.

(5) A person may apply in writing to the Board for an extension of time within which to comply with the provisions of this section and section 27 of this Act, provided that the person

(a) Makes the application before the expiration of the time stipulated in this section for making the returns; and

(b) Shows good cause for his inability to comply with this provision.

(6) If the Board is satisfied with the cause shown in the application under paragraph (b) of subsection (5), it may in writing grant the extension of the time or limit the time as it may consider appropriate.

B.3.2. Call for further returns and payment of tax due

(1) The Service may give notice in writing to any person it considers necessary requiring such person to



Sample Documentation Package

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Annex 2	Legal Organizational Structure of the Company
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Annex 5	The Company s Risk and Function Summary Chart
Annex 6	The Company s Risk and Function Description



I. OECD Transfer Pricing Requirements

A) Purpose of the Report

This report compiles the transfer pricing documentation in support of the related party transactions between Parent Company and its subsidiaries (collectively the Company) for the taxable year ended 31 December 20XX. This report was prepared with respect to the application of the arm's length principle pursuant to the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations published by the Organisation for Economic Cooperation and Development (the OECD Guidelines).

B) Business Description

1. General Corporate Background

The Company was incorporated on 1 January 19XX in country. It is publicly traded on the exchange. The Company is a leading provider of products and services. It offers its products and services through four business segments: Segment #1, Segment #2, Segment #3 and Segment #4. Attached hereto as Annex 1 is a copy of the Company's Annual Report/Public Security Market Disclosure Reports which provides additional information about the Company's business.

An organizational chart for the Company and its subsidiaries is attached hereto as Annex 2. The Company has a network of offices extending across more than 50 countries and had more than 50,000 employees by the end of 20XX.

2. General Business Activity

Brief description of the Company's business activities. For additional information, see pages x-xx of Annex 1.

Segment #1. Brief description of the Company's segment #1 activities. For additional information, see pages x-xx of Annex 1.

Additional business activities: For 2(i)2(t)-1(i)1() | Coed4(d)2(d)ription of d



1. Related Party Transactions

During 20XX, the Company had related party transactions of approximately XXX million. A summary schedule showing the related party transaction is attached hereto as Annex 4.

D) Functional Analysis.

A chart summarizing the Company's risks and functions is attached as Annex 5. In addition, a description of the Company's business operations as well as a description of



The following analysis discusses the methods available for determining the reasonableness of the transfer pricing associated with the inter-company transactions between and among the Company and its foreign affiliates and documents the reasons for the selection of the transfer pricing method.

Important criteria for selecting an appropriate method involve the degree of comparability between the controlled and uncontrolled transactions, the reliability of assumptions used in the analysis, and the reliability of data.

As detailed in the next paragraph, the method was selected for the analysis of all related party transactions in this case.

Transfer Pricing Method Selection. Brief description of the selected method.

3. Review of Other Transfer Pricing Methods

Prior to selecting the transfer pricing method as discussed in paragraph E.2., we considered whether other transfer pricing methods set forth in the OECD Guidelines should be applied to determine whether the related party transactions between the Company and the Controlled Foreign Company (CFC) meet the arm's length criteria.

A summary of this analysis is set forth in the following table:

Best Method Analysis



Since the CUP method involves a direct comparison of related party prices with arm's length prices, the CUP method is normally preferred as a way to evaluate whether related parties transact at arm's length. In this case, any third-party transactions engaged in by the Company and its CFCs are either (1) not sufficiently similar to apply the CUP method or (2) reliable comparable uncontrolled transaction data were not available. Consequently, the CUP analysis was not selected as the best method for analyzing the majority of intercompany transfers in this case.

Resale Price Method Brief description similar to paragraph E.3.a.

Cost Plus Method Brief description similar to paragraph E.3.a.

Transactional Net Margin Method Brief description similar to paragraph E.3.a.

Profit Split Method Brief description similar to paragraph E.3.a.

F) Economic Analysis.

As noted above, the transfer pricing policy of the Company is to charge _____. As can be seen from Annex 2, the Company had the following related party transactions.

The Company has engaged XYZ Economics to conduct a search for independent, publicly listed firms comparable to the Company in terms of its operations and functions. A copy of the report titled "The Company's Transfer Pricing Analysis" is attached as Annex 7.

Based on the analysis, XYZ Economics concludes that the financial results for the selected companies are a comparable and reliable measure of transactions similar to that of the tested party. The 3-year average results for these companies are set forth in the following Table:

Table Comparison of the Company's Related Party Transactions and Comparable Companies	
Returns Earned by Comparable Companies	
Lower Quartile	2.5%
Median	5.0%
Upper Quartile	8.8%
3-Year Return Earned by the Company	5.5%

The 3-year return earned by the Company of 5.5% is within the inter-quartile range of the three year average mark-up established by comparable companies. Consequently, because the transfer pricing results for the related party transactions are within the range of comparable companies, we conclude that the transfer pricing of the Company and its related subsidiaries satisfies the arm's length principle of the OECD Guidelines.



G) Conclusion

Based on the review of the financial information and documentation provided by the Company, we conclude that all related party transactions comply with the arm's length principle under the OECD Guidelines and local country law.

II. Local Country Transfer Pricing Requirements

A) Local Country Transfer Pricing Legislation

1. Transfer Pricing Law and Administrative Guidelines

Brief overview of local country transfer pricing legislation. If applicable add language similar to the local country transfer pricing rules generally conform to the transfer pricing guidelines of the OECD.

2. Documentation Requirements

Brief overview of local country contemporaneous documentation requirements.

3. Transfer Pricing Penalties

Brief overview of any applicable transfer pricing penalties.

4. Analysis and Conclusions

Company Foreign is a foreign subsidiary of the Company (CompFor). To the extent that CompFor purchases or leases goods, or utilizes services from other group affiliates, the results for those aggregated transactions are described above and detailed in Annex 8, Local Country Financial Statement Information. In addition, a copy of the CompFor s









ANNEX 44



ANNEX 55



ANNEX 8