&dditional 'acts

0120+0123
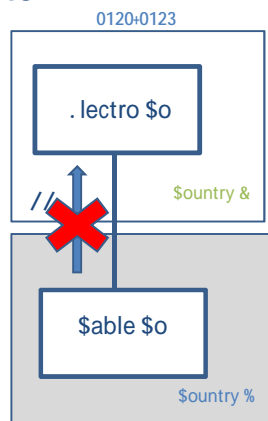
Ca&le Co had &een reporting a net operating loss +, – ./ for the years 2012 and 2013 and was audited;

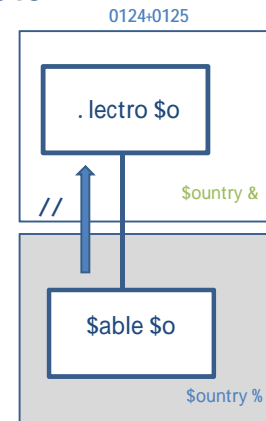"he Country ' ta) authorities disallowed the full royalty paid &y Ca&le Co

Ca&le Co had no transfer pricing documentation in place and settled with reporting cost plus 1*1;

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(or 201% and 201*, Ca&le Co again pays +and deducts/ the full royalty;

!t has made sure it has a transfer pricing report in place to support the arm3s length nature of the intercompany royalty;
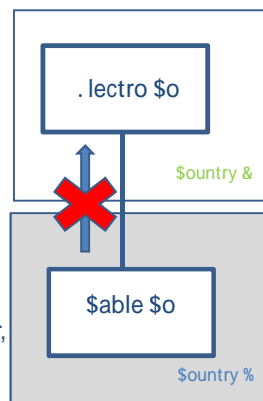
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5pon review, the Country ' inspector disallows the royalty charge for 201%;

!n response, Ca&le Co su&mits the transfer pricing report supporting the arm3s length nature of the intercompany royalty;

6uring discussions with the ta) inspector, Ca&le Co indicates they don3t want ongoing disputes on this matter

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The (mportance of Dispute Resolution

6uestions

7hat dispute resolution mechanisms do you think are availa&le in light of the current facts and considering the previous audit +2012 and 2013/8

9lease discuss why you chose the dispute resolution mechanism you

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2

Slide 1 (top-left)

&dditional 'acts

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Ca&le Co3s transfer pricing report supports the arm3s length nature of the intercompany royalty &ased on Electro Co making availa&le its #"$ "rademark to an unrelated party in Country A

Slide 2 (top-right)

The (mportance of Dispute Resolution

6uestions

!n light of these additional facts, would you favor a unilateral +one-sided/ or a &ilateral +two-sided/ dispute resolution mechanism to resolve this case, and why8

7hat information do you think you would you need to determine whether the intercompany royalty paid &y Ca&le Co is at arm3s length8 and what mechanism would &e availa&le to collect the information that you need8

7hat do you e)pect the position would &e of the Country A ta) authorities when they are presented with the facts of the matter and asked to give a corresponding ad=ustment for the Country ' ad=ustment8

10

Slide 3 (bottom-left)

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Ca&le Co suggests to resolve the royalty dispute &y filing a &ilateral A9A Country A has a well functioning A9A program in place

11

Slide 4 (bottom-right)

The (mportance of Dispute Resolution

6uestions

Ca&le Co has suggested that a &ilateral A9A &e considered to resolve the de&ate on the intercompany royalty Country A has a well functioning A9A program Country ' does not have an A9A program in place 6o you think it is possi&le to enter into a &ilateral A9A8

6o you think it would &e &eneficial for Country ' to move forward with a &ilateral A9A8

7hat would &e needed to move forward with a &ilateral A9A8

12

&pproach to &)&

Country ' agrees to negotiate a &ilateral A9A !f you are the Country ' ta)
authority what : uestions do you have for the ta)payer &efore you adopt a
negotiating position vis a vis Country A8

7hat additional facts do you &elive Ca&le Co should provide8

>ow does the A9A process help you develop those facts8

7hat negotiating position do you think Country ' should adopt in its first
interactions with Country A "a) Authorities8

13