



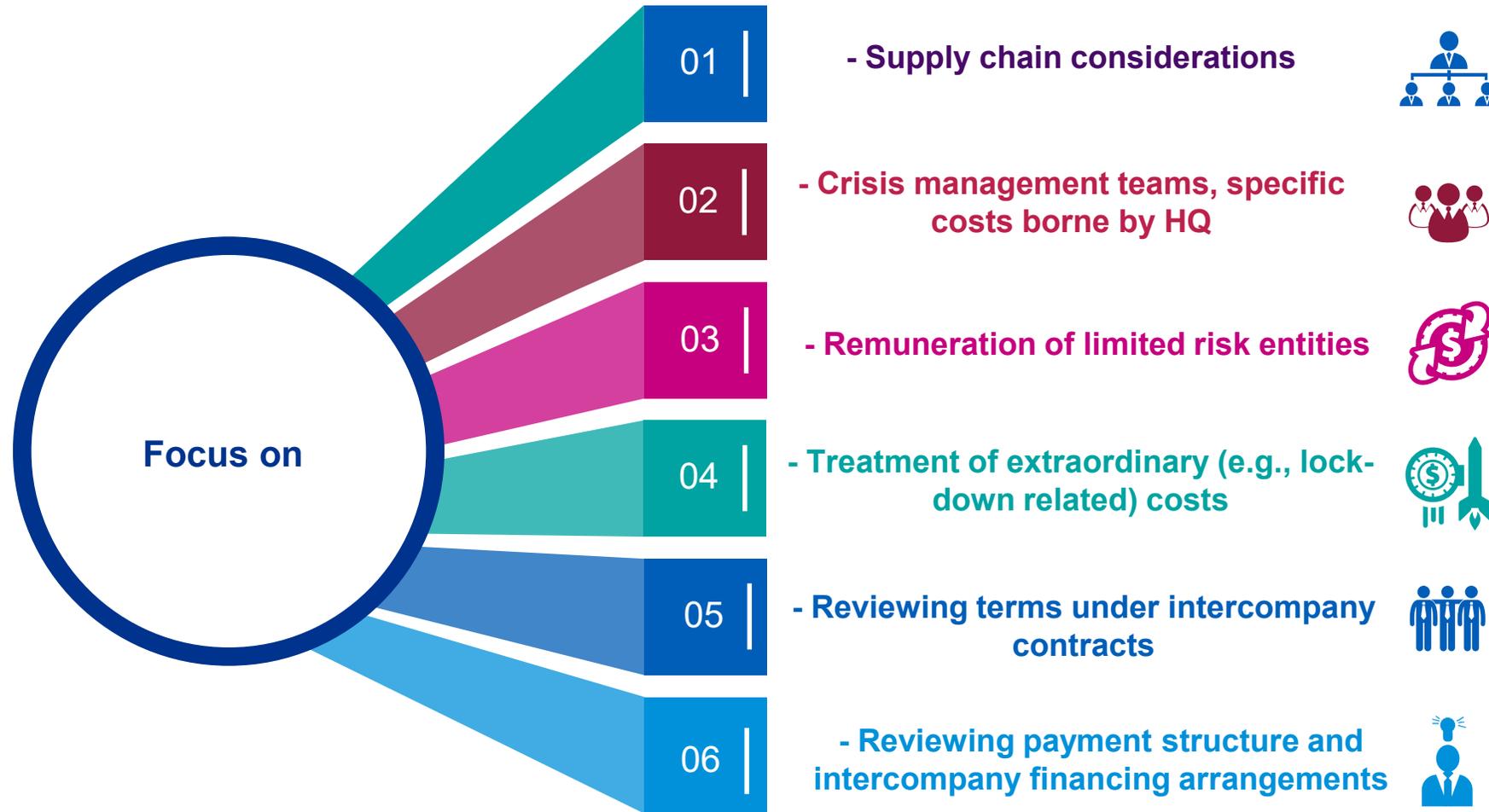
Kathy Lim

Kathy is experienced in scoping and preparing both European and Asian transfer pricing documentation and performing various transfer pricing risk analyses/reviews for diverse multinational companies in a range of sectors (e.g. chemicals, high technology, consumer goods, pharmaceutical, finance, oil & gas, etc), and has been involved in a number of unilateral/bilateral Advance Pricing Arrangements (APAs) both in Europe and Asia.



COVID-19 implications

General COVID-19 transfer pricing considerations



OECD Guidance on TP Implications of Covid-19

Losses and COVID-specific costs

- Limited-Risk entity concept
- Who should take the burden?
- How to allocate?

Government assistance

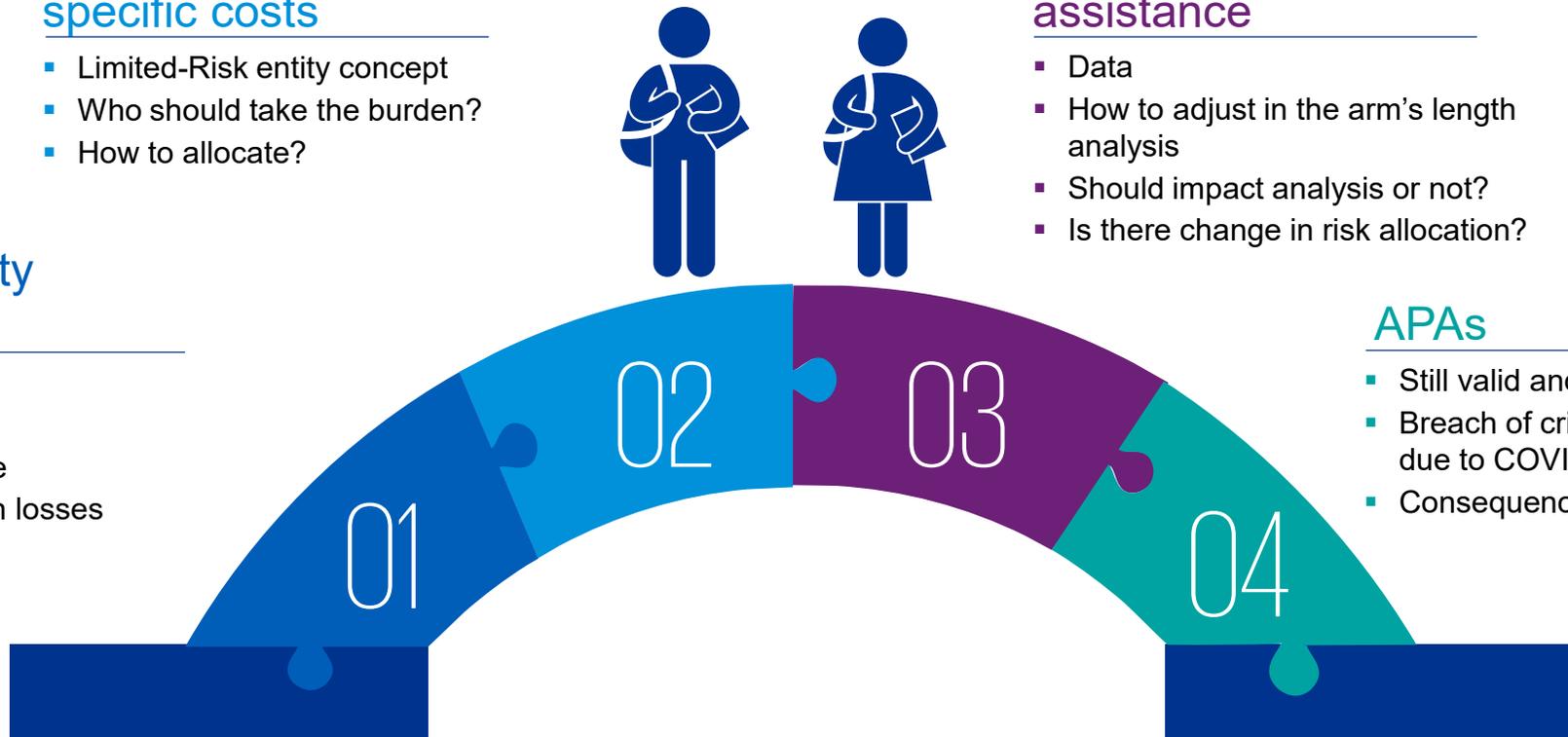
- Data
- How to adjust in the arm's length analysis
- Should impact analysis or not?
- Is there change in risk allocation?

APAs

- Still valid and be followed?
- Breach of critical assumptions due to COVID?
- Consequences

Comparability analysis

- Sources
- Timing
- Financials to use
- Comparable with losses



Tax implications arising from remote working models

Concerns related to creation of PE

- OECD: Temporary / exceptional change of location of employment should not create new PEs for employers
- How about in the long run? How might this impact profit allocation?

Impact on TP models

- Change in place of effective management
- How will control / management of value-added activities impact DEMPE functions / SPF?
- Will there need to be a review of the existing TP model?
- Is there a need for a change in reporting structure, or a need to update the legal entity structure to mitigate tax risks?

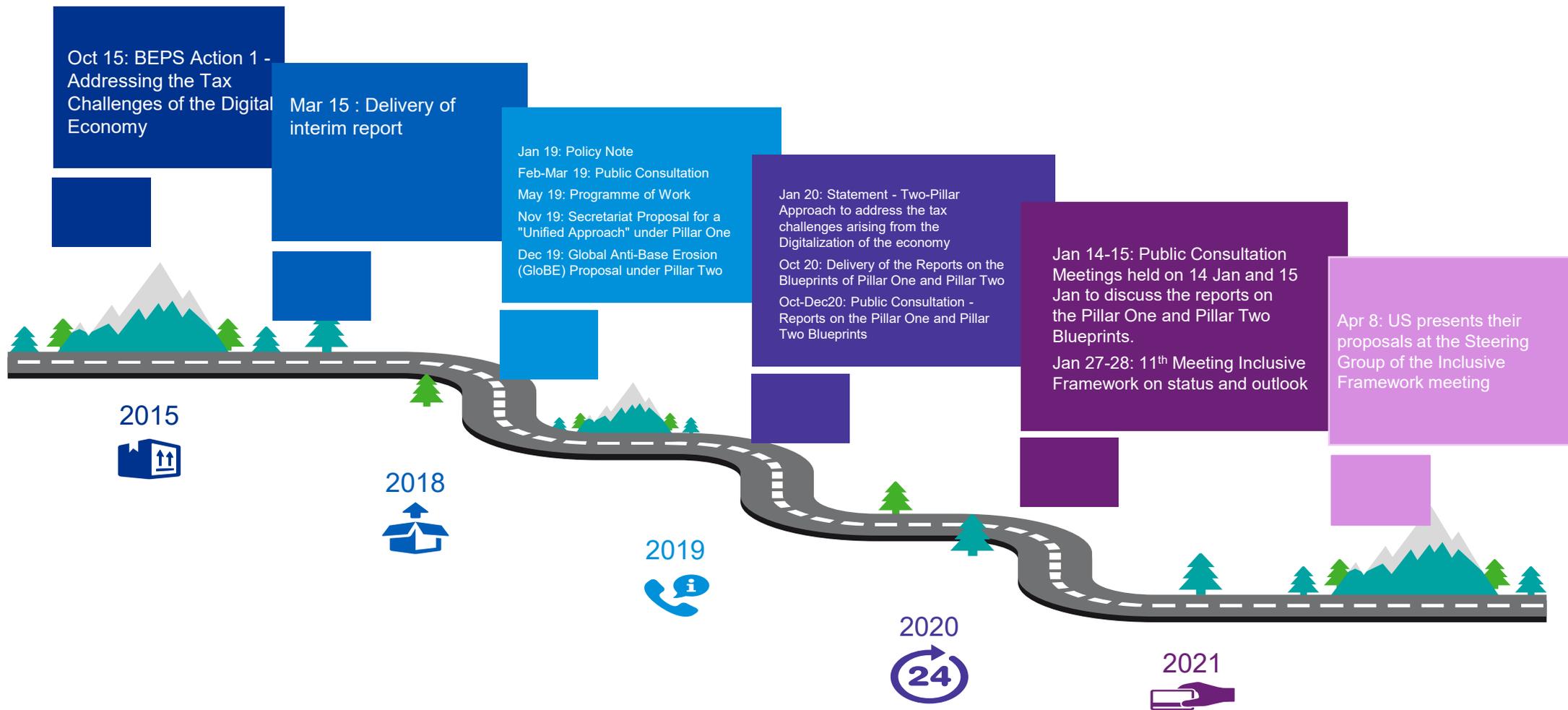
Potential increase in HQ costs

- E.g. educating employees on vaccines, improvement of technology / risk processes, insurance coverage of employers, setting up of cross-functional teams for remote work policies, mapping informal networks etc
- Recharge of these additional costs?



Digital Economy / BEPS 2.0

Progress

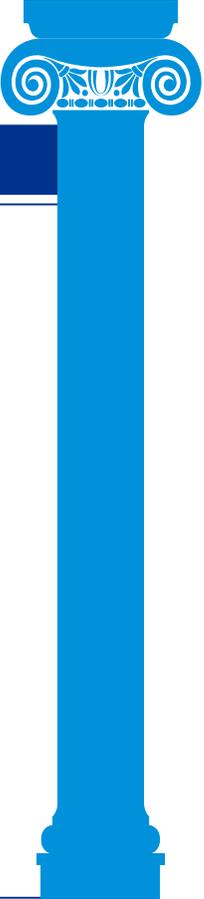


BEPS 2.0 – OECD's Two Pillars



Pillar One – Revised nexus and profit allocation rules

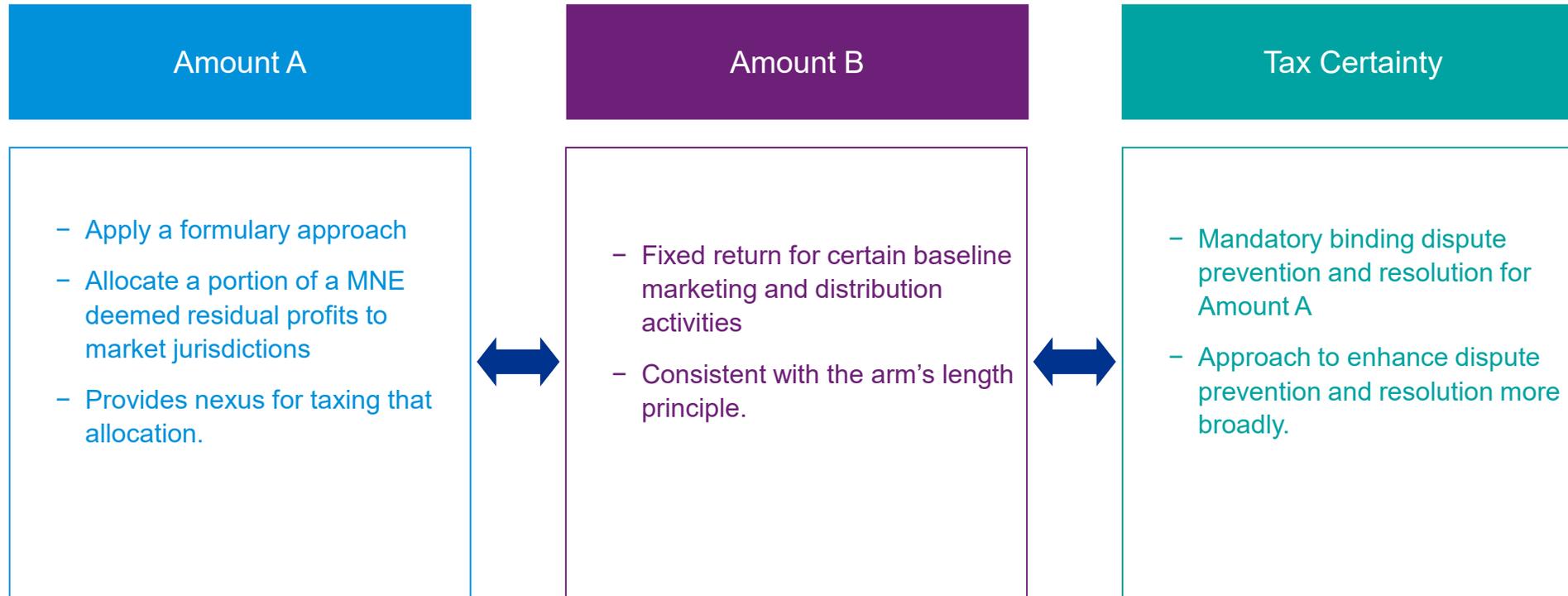
- New nexus and profit allocation rules
- Accommodate new business models
- Goes beyond arm's length principle
- Expand the taxing rights of the market jurisdictions



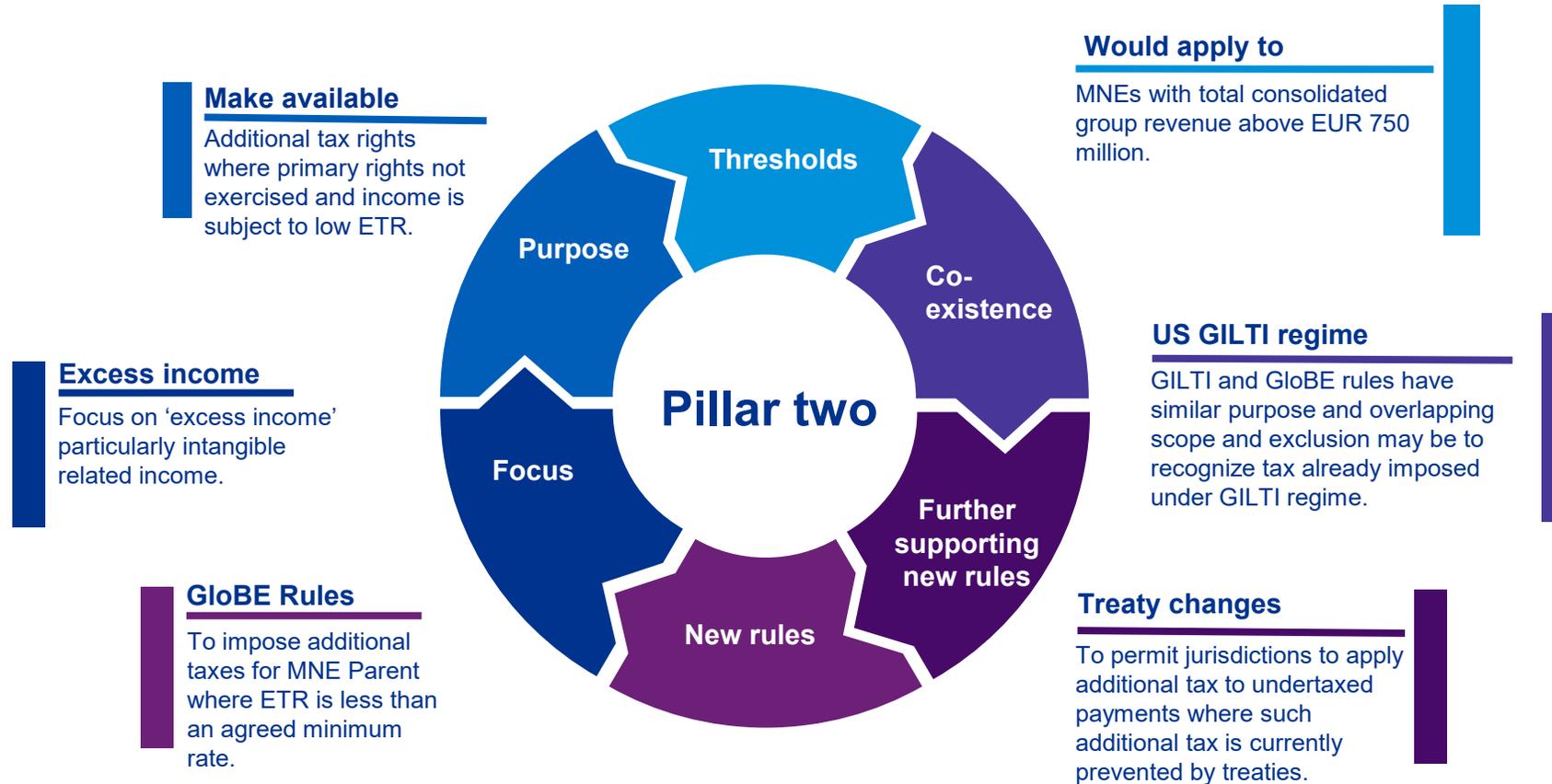
Pillar Two – Global anti-base erosion proposal

- Minimum tax
- Supported by anti-base erosion measures

Building Blocks Of Pillar One



Pillar Two: Overview



What to expect next



- **Public consultation meetings** held on 14 January 2021 and 15 January 2021.
- **11th Meeting of the Inclusive Framework (27 and 28 January 2021)**: macroeconomic environment - political support – demands from society
- Recent US proposal (8 April 2021) suggesting modifications to the application of Amount A under Pillar One, and support for international consensus
- International consensus aimed at July 2021, after the OECD Inclusive Framework meeting in June 2021
- In the parallel, EU is also planning to introduce a “digital levy”, for which a proposal is expected by June 2021



Kathy Lim

Director
Global Transfer Pricing Services
+32 (0) 3 821 19 82
klim1@kpmg.com