

Restructuring transfer pricing in the COVID-19 era

Global Transfer Pricing Services



Despite the fact that many European countries are beginning to gradually ease the lockdown, the policies implemented to contain the spread of COVID-19 are still disrupting companies' value chains significantly. As a result, timely decisions are necessary to build an appropriate business model, and restructuring to better manage financial and operational risks.



What types of restructurings did COVID-19 trigger? And how will they impact transfer pricing?

Supply chain disruptions

- Difficulties include staff shortages, closure or limited operations of factories and logistics infrastructures, and inventory shortages or obsolescence.
- Companies have found alternative suppliers and service providers, resulting in contractual adjustments and changes to transaction flows.
- This will require a review of existing operating models and potentially adjusting the current transfer pricing policy.

Liquidity and cost management

- Companies may have to adjust supply chains to continue to meet demand, or need to downsize structurally, operationally or organizationally to cut costs.
- This can impact characterization and tax base at a local level, as well as trigger exit charges if functions, assets, risks, or profits are moved.
- It is crucial for companies to consider the effect of any restructuring on their transfer pricing operations to manage tax risk.

Digital strategy

- Many companies will have leveraged virtual marketplaces and e-commerce to reach more customers.
- With this shift in commercial channels, they will need to reassess where value is generated due to digital delivery and align profit recognition accordingly.
- Companies will also need to consider the potential impact of international developments (or regulations) on the taxation of the digital economy (e.g. BEPS 2.0), should they sell directly to end customers instead of other businesses.



How can KPMG Switzerland help?

Our value chain specialists in transfer pricing, consulting and international tax are experienced in delivering sustainable operating models that align with the value-driving functions and risks.

Defined and tailored restructuring strategies

Access to global COVID-19 requirements and advice on focus areas in line with your requirements

Sustainable operating model design

Proactive risk analysis of the current value chain and operating model to mitigate potential risks and unlock hidden benefits

Implementation support

Management of stakeholder communications, and application of the appropriate legal and corporate documentation

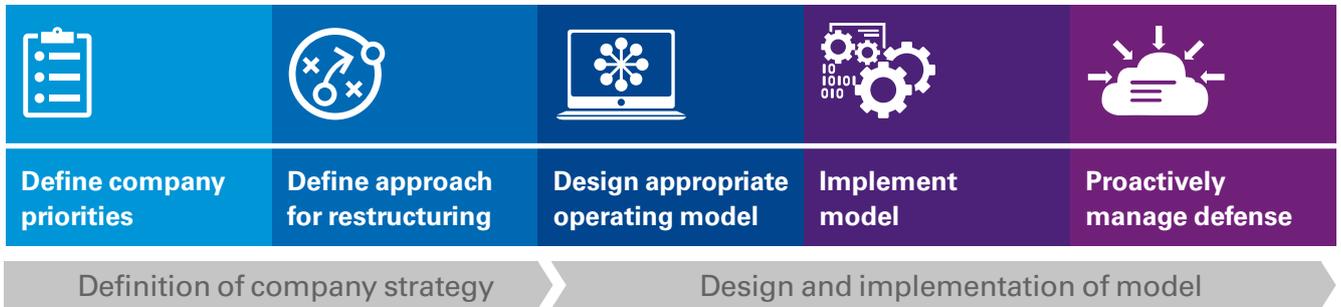
Tax risk mitigation

Proactive risk analysis of current vs. envisaged transfer pricing model to determine potential risks and cost savings, and documentation to support the desired approach



How do you implement this?

Five steps with clear outcomes will bring about an optimal structure whilst proactively managing tax risk.



What are your benefits?

- ✓ Clear and globally aligned restructuring strategy
- ✓ Insights on global options for crisis management
- ✓ Alignment of operating model with tax
- ✓ Tools for timely decision-making
- ✓ Proactive tax risk mitigation

Contacts

KPMG AG

Räffelstrasse 28
PO Box
8036 Zurich

kpmg.ch

Gerhard Foth

Director
Tax & Legal/Transfer Pricing

+41 58 249 34 82
gerhardfoth@kpmg.com

Mischa Sollberger

Director
Tax & Legal/Transfer Pricing

+41 58 249 35 67
msollberger@kpmg.com

Caroline Chua

Senior Manager
Tax & Legal/Transfer Pricing

+41 78 707 34 29
carolinechua@kpmg.com

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