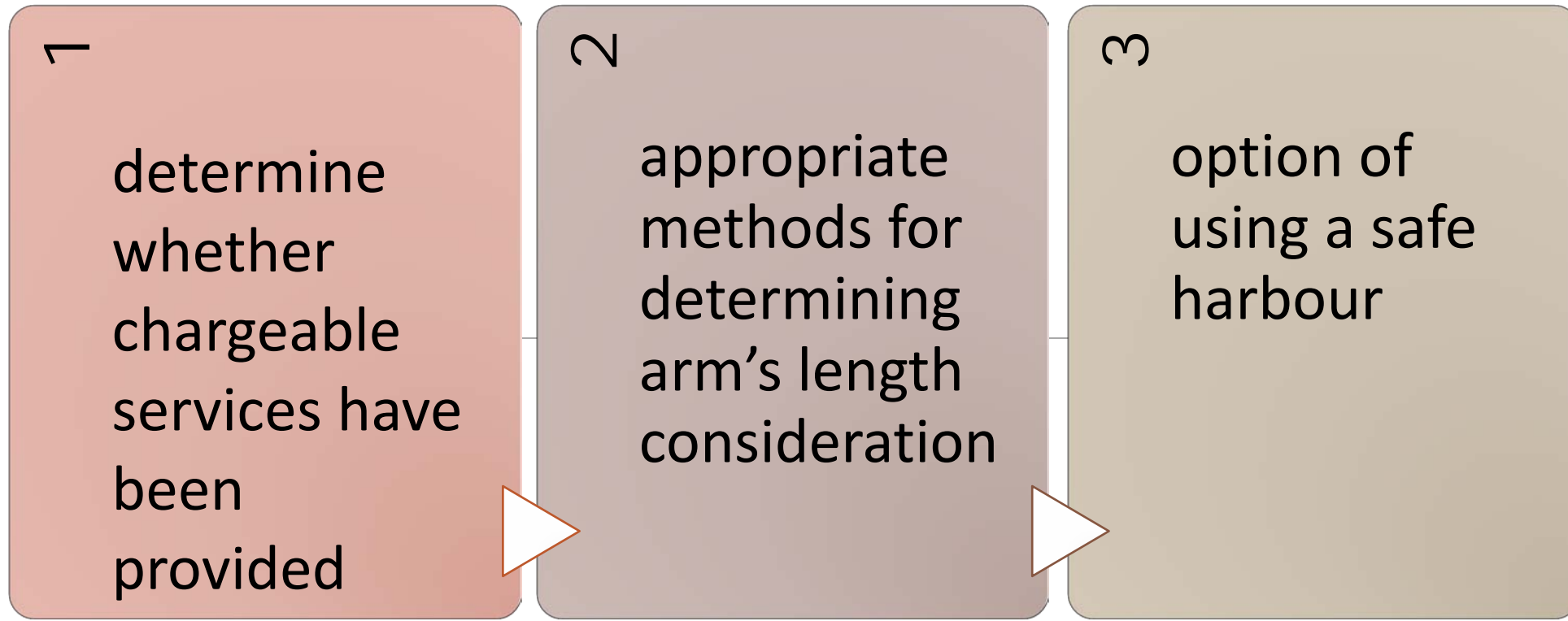


UN Practical Manual on TP for Developing Countries

Noor Azian Abdul Hamid

Intra-Group Services



LIST OF POTENTIAL INTRA-GROUP SERVICES

- Information technology services
- Human resource services
- Marketing services
- Legal services
- Accounting and administration services
- Technical services
- Quality control services

The Benefit Test

**Service activities for the specific needs
of an associated enterprise**

Centralized services

√ on call services

Non-chargeable activities

√ Shareholder activities √ Duplication of activities

√ Passive association √ Incidental benefits

Determining an arm's length charge

Functional analysis

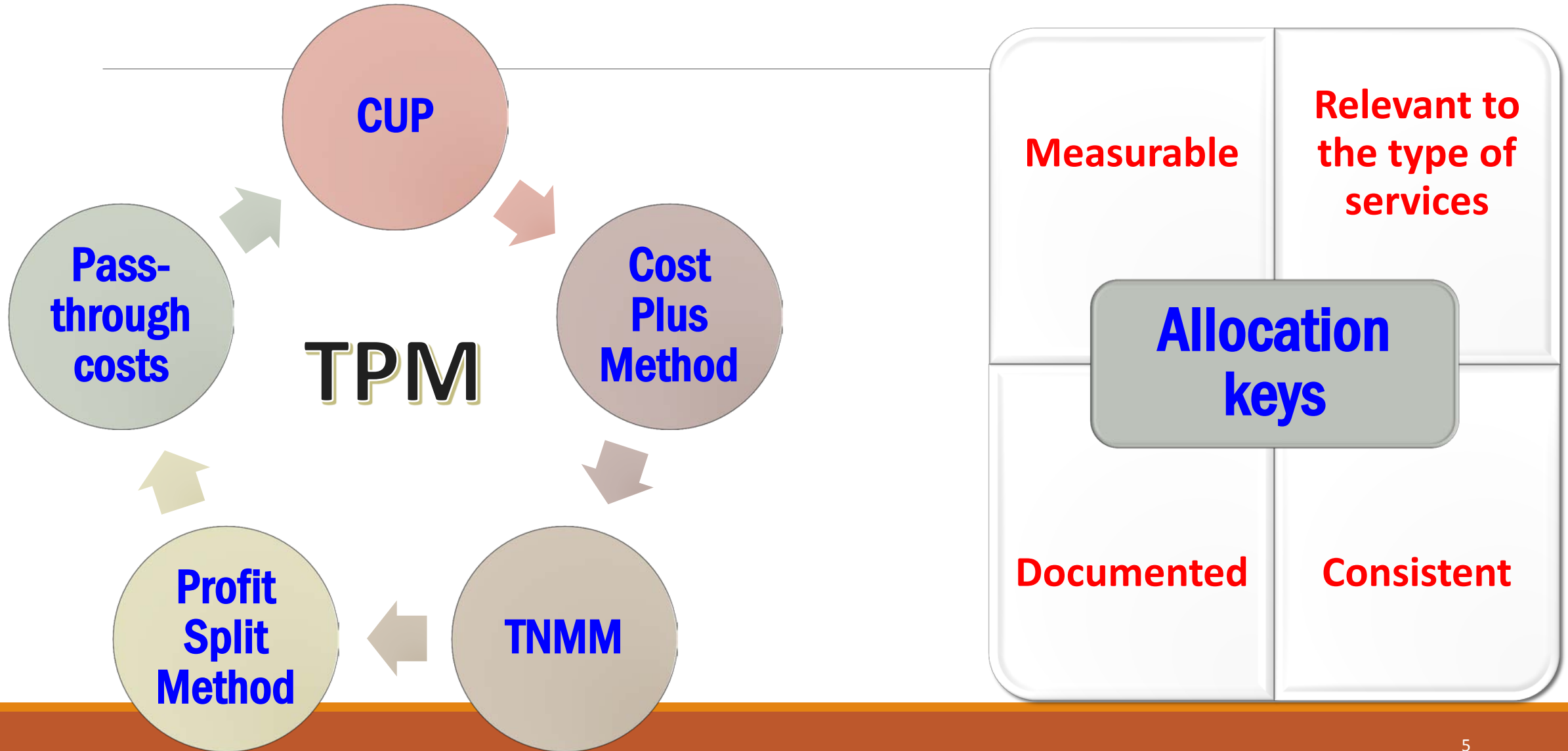
Functions performed, assets used and the risks borne by the service provider

Charging approaches

- √ direct charging
- √ indirect charging

Provision of assets and ancillary services

Calculating arm's length consideration



Safe harbours

Low value-adding services SH

- identification of the service within the scope of the safe harbour
- a fixed profit margin
- an assumption that the same gross profit margin is accepted in the other country
- documentation requirements

Minor expense SH

- a restriction on the relative value of the service
- a fixed profit margin
- the requirement that the same profit margin is used in the other country
- the documentation requirements that are expected

Practical Challenges (Malaysia)

Intra Group Services

- ❑ A major BEPS challenge – excessive claims by service recipient; “management fees”
- ❑ Documentation
 - ❑ to demonstrate benefit test
 - ❑ details and authenticity of cost base
 - ❑ service recipient only submit info relevant to their claims; no info on allocation key, methodologies in other jurisdictions
- ❑ IGS based on % or proportion of sales

Practical Challenges (Malaysia)

- ❑ Benefit Test – easier from perspective of service provider
- ❑ Lack of publicly available info on services comparables – e.g time/man hour costs
- ❑ Safe harbor – future consideration
 - Rate, thresholds