Documentation within Transfer Pricing
A case study

Master thesis within business administration
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Yan and Johan
Master thesis within Business Administration

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Abstract

Purpose: The overall purpose of this thesis is to provide an analysis of the effects of the documentation requirements on transfer pricing and provide a clearer picture of the documentation requirements in transfer pricing. Furthermore, the purpose is to analyze whether the chosen method of Superfos is adequate related to the new regulations.

Background: In 2007, new regulations concerning the documentation of transfer pricing was enacted in Swedish law based on OECD guidelines. This change has led to new internal guidelines for companies regarding their transfer pricing work since the requirements apply to both Swedish owned companies and foreign owned companies. Furthermore, with this change, a great uncertainty about the requirements is shared by companies.

Method: This thesis has been conducted as a qualitative case study with Superfos as the case company. A deductive approach has been used and the collection of data consists of both primary and secondary data. Primary in the form of an interview with the finance manager at Superfos and secondary through the use of the Swedish tax authority's stated guidelines concerning transfer pricing as well as books, journals and databases.

Conclusion: In the conclusion we present a clarifying model of the documentation in transfer pricing based on the data collected for this thesis. In six steps, a clarifying picture of the overview, company structure, transactions identification, functional analysis, comparability analysis and results is provided.
Table of Contents

1 Introduction.............................................................................................................1
  1.1 Background.........................................................................................................1
  1.1.1 Theoretical background..............................................................................1
  1.1.2 Empirical background.................................................................................2
  1.2 Problem discussion..........................................................................................3
  1.3 Thesis question..................................................................................................4
  1.4 Thesis purpose...................................................................................................4
  1.5 Delimitation.......................................................................................................4
  1.6 Disposition.........................................................................................................4

2 Research design and method..............................................................................6
  2.1 Methodology......................................................................................................6
  2.2 Investigation approach......................................................................................6
  2.3 Qualitative study..............................................................................................7
  2.4 Method of collecting data................................................................................8
    2.4.1 Primary data................................................................................................8
    2.4.2 Secondary data............................................................................................8
  2.5 Choice of case company....................................................................................8
  2.6 Trustworthiness.................................................................................................8
  2.7 Case study.........................................................................................................9
  2.8 Criticism of chosen method..............................................................................10

3 Theoretical frame of reference.........................................................................11
  3.1 Transfer pricing in general...............................................................................11
  3.2 Transfer pricing methods..................................................................................14
    3.2.1 Overview of methods................................................................................14
    3.2.2 Comparable uncontrolled price method................................................14
    3.2.3 Resale price method................................................................................16
    3.2.4 Cost plus method......................................................................................17
    3.2.5 Transactional net margin method...............................................................17
      3.2.5.1 Net margin on sales............................................................................18
      3.2.5.2 Net margin on cost............................................................................18
      3.2.5.3 Berry ratio........................................................................................18
      3.2.5.4 Net margin on assets.........................................................................18
    3.2.6 Profit split method.....................................................................................19
  3.3 Documentation within transfer pricing...........................................................19
    3.3.1 Swedish regulations on enterprises concerning documentation..............20
    3.4 Arm’s length principle....................................................................................22
    3.4.1 Drawbacks with the principle...................................................................23
  3.5 Summary of theory............................................................................................24

4 Empirical findings...............................................................................................25
  4.1 Interview with Superfos...................................................................................25
  4.2 Transfer pricing from the Swedish tax authority’s perspective.......................27

5 Analysis..............................................................................................................30
  5.1 Administration...................................................................................................30
  5.2 Transfer pricing methods..................................................................................32
5.3 Transactions..........................................................33
5.4 Comparability analysis..........................................33
5.5 Functional analysis...............................................34
5.6 Suggested model..................................................35
5.6.1 Overview..........................................................35
5.6.2 Company structure, including products and industry descriptions..................................................36
5.6.3 Identification of relevant transactions for the tested party..........................................................36
5.6.4 Functional analysis.............................................36
5.6.5 Comparability analysis........................................37
5.6.6 Results..............................................................37
6 Conclusion....................................................................39
6.1 Conclusion based on contents of each section stated above..............................................................39
6.1.1 Administration..................................................39
6.1.2 Transfer pricing methods........................................39
6.1.3 Transactions......................................................39
6.1.4 Comparability analysis..........................................40
6.1.5 Functional analysis.............................................40
6.2 Weaknesses............................................................40
6.3 Further recommendations........................................40
6.4 Academic contribution............................................41
References ....................................................................42
Appendix.......................................................................45

List of figures
Figure 1 Superfos organization chart.................................3
Figure 2 Induction and deduction framework......................7
Figure 3 Internal and external pressures in transfer pricing........12
Figure 4 Conflicting pressures on pricing..............................13
Figure 5 Transfer pricing methods – family tree..................14
Figure 6 Comparable uncontrolled prices...........................15
Figure 7 Resale price equation..........................................16
Figure 8 Cost plus equation............................................17
Figure 9 Ratios commonly used in applying TNMM..............18
Figure 10 Own suggested model.......................................35
1 Introduction

In this introductory part of the thesis, the background to the subject is presented followed by a problem discussion leading to the purpose. In the final section of this chapter, the studies’ delimitation and disposition are presented.

1.1 Background

The background of the study is presented by consideration of both theoretical background and empirical background.

1.1.1 Theoretical background

International trade continue to increase and the flows of imports and exports of goods and services in the world have doubled in the last 10 years. Today, over 70 percent of cross-border trade in the world takes place between related enterprises (Hamaekers, 2001). As the international trades increase significantly, the cooperation between companies in the same group, but in different countries, enlarges notably. According to one document from OECD (Organization for Economic Co-operation and Development), subsidiaries have the opportunity to relocate their assets, functions and/or risks within the multinational enterprises in order to increase their competitiveness and gain advantages towards their competitors. In contrast, independent enterprises do not have the advantages like subsidiaries to act in the context of competitive environment (OECD 2008).

As international cooperation between subsidiaries increases, the issue of transfer pricing becomes more and more apparently. Horngren et al (2005) in their book defined transfer pricing, which is that the price that one segment of an organization charges for a product or service it supplies to another segment of the same organization.

The growing international market poses both opportunities and difficulties for multinational enterprises. Considering the opportunities, for instance, multinational enterprises can place production and manufacturing units in nations with low labor costs in order to increase their revenues compared to keeping production and manufacturing units at their present location (OECD, 1995). There are many other reasons for enterprises to engage in transfer pricing strategies. An organization charges transfer prices on goods and services because the transfer prices could be a way of the allocation of resources between different segments, performance evaluation, or supply chain management. At the same time, transfer pricing strategies are related to profit maximizing strategies of the whole organization, as well as important in the design and implementation of management information and control systems. Even though the advantages of transfer pricing strategies are obvious, the multinational enterprises are still facing difficulties. One of the difficulties, the multinational enterprises facing, is that the legal problems occur when segments of an organization are situated in different countries and an incentive for tax authorities to investigate whether or not transfer prices are set “correctly” arises. As a result of the growth of multinational enterprises, both tax authorities in different countries and the enterprises themselves face increasingly difficulties on taxation problems (OECD, 1995).

The OECD supports a positive development in the world economy by a free trade to generate the greatest economic development as possible in the member states. For transfer pricing in
Europe, the OECD guidelines recommend to use the Arm’s Length Principle. A group company’s transaction meets the arm’s length standard if the results of the transaction are consistent with the results that would have been realized if uncontrolled unit had engaged in comparable transactions under comparable circumstances. In other words, the arm’s length standard aims to no differences in profit margin of an intern sale and an extern sale, given that it is a similar product and the same resources are provided (OECD, 1995).

Transfer pricing has been the subject of extensive research over many years, and many countries even have the association particularly dealing with the issues of transfer pricing. Bartelsman and Beetsma (2003) in their report argued that corporate tax could be avoided through transfer pricing in OECD countries. Borkowski (2003) in her study stated that the global documentation approach is becoming more attractive to multinational enterprises for many reasons. The benefits accruing to multinational enterprises may include centralized control of worldwide transfer pricing and documentation at group headquarters. Stirling (2002) argues that a uniform currency actually has complicated transfer pricing analysis. Hallgren and Wiktorsson (2004) in their study concluded that problem of using standardized models not adjusted to the specific case which leaves gaps in interpreting the documentation. Other stakeholders such as consultant firms may benefit from this and push the need for their services. They also concluded the need to put transfer pricing in operational and organizational context.

During the last decade, the number of Swedish companies with foreign ownership has increase significantly. As the worldwide trading has increased, the Swedish tax authority found it very important to simplify the prerequisite of transfer price control.

1.1.2 Empirical background

Superfos is Europe’s largest manufacturer of injection moulded plastic packaging. They supply high-quality packaging for food, non-food and health care markets. Superfos is headquartered in Denmark and has 1,500 employees at 10 production facilities across Europe and one in the United States. (Superfos’ website)

Today, Superfos is a focused pan-European company with a modern and dynamic platform and a homogenous modernized product program. They offer their customers unique possibilities for uniformed product display and decoration across international market boundaries. The case company Superfos Tenhult AB is one subsidiary of the Superfos organization (Superfos’ website).

The Swedish requirements for documentation within transfer pricing are under new regulations since 2007 and therefore it is interesting to analyse how the company manage this issue and its effects on the entire corporation. Göran Brengesjö, finance manager at the company, mentioned the uncertainty as a problem with documentation of transfer pricing, hence it is interesting to analyse the issue from their perspective and see what causes the uncertainty and if anything can reduce the uncertainty. (Superfos’ website)

The following figure shows the organization structure of Superfos. Superfos AB is one of the Nordic region factories. It is located in Tenhult, Sweden.
1.2 Problem discussion

Transfer pricing is today considered to be a crucial issue for transnational corporations (Borkowski, 2003). In order to secure that profits are not being transferred across jurisdictions and thus avoiding greater losses, tax authorities have implemented requirements of special documentation of these transactions with the help from guidelines set by the OECD, which acts as a tool to standardize the regulations. The increasing amounts of requirements have steadily increased throughout the latest decade along with the sense that companies might try to offset their tax duties to the specific jurisdiction. In that sense, a transnational corporation might need to provide several different transfer pricing documentations of their transactions as their operating jurisdictions differ and thus also the requirements. Failure to do this will in some countries result in specific penalties, while in others they follow general penalty rules. However, the OECDs purpose is though not to add costs to the corporations by increasing documentation requirements, but rather search for cooperation between tax authorities and the corporations to secure the arm's length principle.

In order to achieve this principle, the OECD has provided different transfer pricing methods including the comparable uncontrolled price, re-sale price method, cost plus method, transactional net margin method and the profit split method. The characteristics of these differs, however, the main goal is to secure that transfer pricing is conducted as if the transactions took place externally and did not take place within an organisation, fulfilling the arm's length principle (OECD, 1995).

Swedish regulations regarding documentation within transfer pricing are new as of 2007 and are likewise based on the OECD guidelines (SKVFS 2007:1). The regulations affects approximately 22 000 of the Swedish companies and can be found in the 19th chapter para 2a and 2b in law (2001:1227). Explicitly the documentation should contain the following (Ernst and Young, 2008):

- Description of the company, the organisation and its business.
- The characteristics and scope of the transactions.
- Functional analysis
- Description of chosen transfer pricing method.
- A comparability analysis.

The regulations have now been in use for 2 years and it is thus interesting to analyse the companies’ actual abilities to provide adequate documentation. However, the implementation of the requirements has been discussed for some time and was suggested to be implemented as early as of 2003. Considering the majority of other countries in OECD though, the requirements on documentation have been provided for a longer period of time and thus the resources to present adequate documentation might already exist within the corporation (Ernst and Young, 2008).

Previous studies has analysed the question of companies perspective and ability to provide documentation of transfer pricing such as Grönlund and Wiesner (2007) and Ekelund et.al (2006). Specific for this thesis is the analysis of Superfos and their routines regarding the process and the fact that the time has passed brings the question whether the issue is yet well acquainted by companies.

1.3 Thesis question

How does Superfos work with the documentation of transfer pricing?

How can the requirements regarding the documentation of transfer pricing be made more specific?

In which way can documentation be related to the formal requirements?

How is the choice of transfer pricing method affected by the required documentation?

In which ways have the new regulations caused changes in the organisational process?

1.4 Thesis purpose

The overall purpose of this thesis is to provide an analysis of the effects of the documentation requirements on transfer pricing and provide a clearer picture of the documentation requirements in transfer pricing. Furthermore, the purpose is to analyze whether the chosen method of Superfos is adequate related to the new regulations.

1.5 Delimitation

The emphasis of this study is to see how a specific Swedish company within a multinational enterprise does the documentation of transfer pricing. The authors have decided to limit their perspective to the interaction between the model they apply to the company and the situation existing within the company. Any conclusion and suggestion to the company is only designed to the demand of this company. Hence, other company can consult the results but the author’s outcome is more relevant to the chosen company.

1.6 Disposition

The structure of the thesis is built up in the following way:
Chapter 1 Introduction

In this chapter we introduce the reader the background of this thesis. Furthermore, we have a discussion about the purpose and research problems of our thesis.

Chapter 2 Methodology

This chapter is containing a description of the method we have chosen to our research.

Chapter 3 Theoretical frame of reference

In this chapter the authors will introduce the theories we use in this study. These theories will be used in analysis part to analyze the empirical findings.

Chapter 4 Empirical Findings

In this chapter we will introduce the interviews we have conducted with the manage director of Superfos AB.

Chapter 5 Analysis of the empirical findings

In this chapter, we analyze the empirical finds using both previous studies within transfer pricing and theory and provide practical solution the problems existing in Superfos AB. This chapter ends with a model which can be applied both in Superfos AB and in other enterprises, which have the problem of documentation of transfer pricing.

Chapter 6 Conclusion

In this chapter we have a concluding discussion regarding the result of our thesis. We end this chapter with a discussion regarding weaknesses with the thesis and suggestions for further studies.
2 Research design and method

Chapter 2 is aimed at introducing the readers to research methods and methodological tools the authors have used in this thesis. This chapter will end with a criticism of source selection.

When writing a thesis, there are three parts writers must undertake. The first step is planning how to design research, the second step is collecting relevant information and the third step is analyzing and reflecting upon the assembled material (Hartman, 2004). There are different ways of collecting information such as questionnaire, observation and interview. The selection should be connected to ones researches.

2.1 Methodology

Methodology is concerned with the underlying assumptions that control the whole processes of study, where method, discussed later, is related to the data used to carry out the study. In the methodology, the first issue to take into consideration is what paradigm that in general terms will guide the work. A paradigm refers to stages of the progress of scientific practice based on people’s philosophies and assumptions about the world and the nature of knowledge (Collins & Hussey, 2003, p.46). The chosen paradigm guides the work in the way that it influences the outcome of the collected data and also what type of knowledge that can be extracted from the data and the research as a whole (Blaxter, Hughes & Tight, 2001). According to Collins & Hussey (2003) there are two main paradigms, sometimes also known as philosophies, positivism and phenomenological. The positivistic paradigm is also commonly known as quantitative paradigm and the phenomenological paradigm as the qualitative paradigm. To be able to describe and analyze how Superfos conducts the documentation of transfer pricing, the authors have chosen to follow the phenomenological paradigm. This choice was based on the fact that the authors intend to not only describe the way of documenting Superfos’ transfer pricing, but also depict the related regulations in terms of their transfer pricing method and organisational process. The positivism paradigm is objective, outcome oriented, the researcher takes an outsider perspective and the data is hard and replicable which the authors see as unsuitable for this study. The phenomenological paradigm on the other hand, is characterized by being subjective, process oriented and the researcher can interact with the subject being researched. This allows the authors to gain a deeper and more thorough understanding of Superfos’ documentation process of their transfer pricing (Blaxter, Hughes & Tight, 2001).

The phenomenological paradigm also discovery-oriented, exploratory, descriptive and inductive where small samples are used providing data that is real, rich and deep. This characteristic of phenomenological paradigm is suitable for our collecting data in the next steps. Basically, the authors conduct several interviews. These advantages can also be found in what Silverman (2000) argues to be the characteristics of a qualitative study. Silverman (2000), further states how the qualitative study is flexible and subjective. The qualitative study allows the authors to not only state a certain structural characteristics, but also the requirements calling for those structural characteristics. Furthermore a qualitative study will be discussed.

2.2 Investigation approach

In this thesis, we apply the deductive approach. That is to say that we develop theoretical and conceptual framework and apply it in the study.
Deduction is developing a theory and hypothesis (or hypotheses) and designs a research strategy to test the hypothesis. It states that you cannot observe anything without a theory. You must have a theory before inspecting a phenomenon, a theory that will be tested through the observations. Deductive methods involve therefore the principle that from existing theories one can draw general conclusions about defined phenomena (Patel & Davidsson, 1994). Figure 2 illustrates the distinction between the two investigation approaches.

![Induction and deduction framework](image)

**Figure 2** Induction and deduction framework. Reproduced from distinction between deductive and inductive approaches according to Korkchi and Rombaut, 2006 based on Patel and Davidsson, 1994

### 2.3 Qualitative study

This thesis is conducted as a qualitative study with the underlying definition that the findings are not made on the basis of quantifiable data, such as statistical procedures but rather on an interpretation of these data (Strauss and Corbin, 1990). While quantitative researchers search for causal determination, predictability, and generalization of the findings, researchers within the qualitative area search for illumination, understanding and extrapolation to situations of a similar kind (Golafshani, 2003). While the researcher undertaking quantitative methods needs to be skilled in mathematics, the researcher focusing on qualitative researches needs to have sufficient language skills (Scapens, 2004).

Reasons why to conduct qualitative research can be found in preferences and experiences by the authors, however, the research problem also influence the research type. Three significant factors can be addressed to the field of qualitative studies; Data, which is collected through interviews or observations to mention some examples. Furthermore, the procedure to interpret and work with the collected data, including conceptualizing and elaborating on these is important. Finally, written and verbal reports serve as the third factor, with the meaning that data is presented as articles, books or journals (Corbin and Strauss, 1990).

Corbin and Strauss (1990) further argues that the process of qualitative research undertake both the learning issue as well as the execution of the research. The main characteristics of researchers who are working with this type of research are flexibility and openness. Furthermore, appropriateness, authencity, credibility, intuitiveness, receptivity, reciprocity and sensitiveness are attributes necessary for research in a qualitative sense as argued by Rew, Bechtel and Sapp (1993), (Cited in Corbin and Strauss, 1990). However, following this is the case of ambiguity, since phenomenons are indeed complex and to be able to draw meaning out of them is something that is not easily managed.

With this said, this thesis thus uses the qualitative method as a preference with respect to conducting a case study. Thus, the discussion above is implemented in the thesis as well.
2.4 Method of collecting data

2.4.1 Primary data

The collecting of primary data in this thesis is managed through an interview with the case company. The adequate questions were beforehand structured and then conducted through a semi-structured interview. This is a non-standardized type of interview where the questions and themes are provided as specific to the current situation and organization, thus fitting well into the thought and purpose of this thesis (Saunders et. al, 2007). Specifically, the interview took place at the company as a personal communication interview.

2.4.2 Secondary data

Apart from interviews, secondary data is needed to form a theoretical framework on the basis of the analysis.

Data collection of the tax authority's perspective on transfer pricing has been conducted in order to grasp a clear view of their perspective and expectations in the field. This is presented in the empirical findings perspective since this makes the thesis structured in a way that is easy to follow. Furthermore, different researchers in the field of transfer pricing are approached to serve this case and the collecting has taken place through the use of the resources at Jönköping University Library, including books, journals and databases.

2.5 Choice of case company

Superfos is selected as the case company of this thesis and since it is a small company with less than 100 employees in the Swedish factory, yet incorporated in a large group, the authors find it valuable to look at this company as it is representing a quite common situation in the Swedish business today. At the company, the uncertainty on how the documentation process should be managed was explicitly stated by the management. Thus, the authors found it interesting to look on the issue from their perspective and analyze the requirements of documentation, what impact they have on Superfos in Sweden, regarding organizational issues but also legal requirements.

2.6 Trustworthiness

To be able to provide findings with an affirming sense of trust, some issues can be approached to manage this. The main objective is though not to get everything right, but rather seeking to not get it all wrong (Miles and Huberman, 1994).

Miles and Huberman (1994) mentions five, somewhat overlapping issues:

Objectivity/Confirmability,

The main problem here is if the conclusions of the study are dependent on the current conditions and subjects of the questions preferably to the questioner. Commonly addressed in this case is the external reliability, which argues that the study can be conducted in a similar manner by others in the same context (Miles and Huberman, 1994).

Reliability/Dependability/Auditability
The issue of focus in this case is the question whether the study is being consistent and acceptably stable over time and through the groups of researchers and methods. To control whether these prerequisites are accomplished, issues such as if the research questions are clear and if the findings provide adequate parallelism throughout the data sources (Miles and Huberman, 1994).

**Internal validity/Credibility/Authenticity**

The underlying issue here is the question of true value, if the findings that are claimed in the study make sense, if the findings are credible to the people of the study and to the readers of the study. Furthermore, when conducting the study, can an authentic portrait be provided (Miles and Huberman, 1994)?

Concerning the credibility of this thesis, the fact that Göran Brengesjö is working at the company may affect the answers in a biased way. However, this can also be seen as beneficial. Furthermore, the fact that one interview is conducted and no interview with the tax authority affects the credibility as well since the empirical findings now is more reliant on the statements by the company (Miles and Huberman, 1994).

Another perspective of the credibility is the tax authority since their guidelines are aimed at collecting as much tax as possible, thus their perspective is different from the one of Superfos. Despite this, the thesis can still be used to look at the issue of documentation in transfer pricing (Miles and Huberman, 1994).

**External validity/Transferability/Fittingness**

This part is the question of generalizability, if the findings can be fitted into similar contexts and to what extent they can be made general. For this thesis, the case-to-case generalizability can be approached. However, the authors claim that such possibilities are limited of this thesis as the findings are merely significant to the specific company of the study (Miles and Huberman, 1994).

**Utilization/Application/Action Orientation**

Despite the case that a study's findings are valid and able to transfer, there is still a need to state what the study can provide for the researcher and the subject of the research. This question can also be extended to an ethical question in a sense of harming or benefiting the subjects in the research (Miles and Huberman, 1994).

Furthermore, Denzin (2003) argues that the use of multiple methods, triangulation, is one of the features of a case study to ensure the security of deep understanding in the phenomenon since objective reality is impossible to grasp. It also adds rigor, breadth, complexity and richness to the research issue. Triangulation involves the validation of the study through approaching data with different methods, empirical materials, perspectives and observations in a single research study (Miles and Huberman, 1994).

2.7 **Case study**

“The case study is not a methodological choice, but rather a choice of object to be studied” (Ghauri, 2004).

Using a case study research approach is not specific to qualitative research, as quantitative methods can be a part of or be the entire research method for a case study (Ghauri, 2004).
However, what does determine whether the case study method is suitable is the research design.

Yin argues in Bennet, Glatter and Levačić, (1994) that case studies are well suited and should be used in the case of existing “why” or “how” research questions, when there is little control on events and where focus is set on a current issue in the context of real life. Furthermore, when conducting a case study, an essential part is the theory-development in priority of case study data collection, thus requiring knowledge in the theoretical framework of the issue and discussions on the purpose of the research. Thus, a case study research requires clear research questions, a deep understanding of the adequate theory, an efficient research design and proficient language skills (Scapens, 2004).

With the use of a case study, the researcher has to be sufficient in communicating with all research subjects. The research method can thus raise issues both from the conductor's point of view and the organization being studied since it is a two-way communication (Scapens, 2004). Further, case studies provide the opportunity to create an in-depth understanding of the research issue which is of interest through the allowance of a longitudinal approach. In other words, there is a possibility of observation as well as interaction.

Since this thesis fulfills these “requirements” as discussed in the section, the preferable and recommended would be to conduct it through the means of a case study approach.

2.8 Criticism of chosen method

Despite the argumentation above, this thesis involves some short-comings. The fact that it is only focused at one case company provides a limited perspective of the documentation in transfer pricing. Furthermore, the Superfos factory in Sweden is just a factory and not the head office within the group. Thus the factory can not affect the transfer pricing work in the group to a significant effect. Yet, the authors claim that Superfos is adequately representing a typical business of subsidiaries which is believed to if not increase in the coming years, stay at a high level.

Another criticism was the failure of conducting an interview with the tax authority concerning transfer pricing. Due to an argued lack of time, this was unfortunately not possible to deliver.
3 Theoretical frame of reference

In this third section, the theoretical framework providing a basis for the analysis is presented. It includes a general description of transfer pricing along with regulations in documentation with a Swedish perspective and the arm’s length principle.

3.1 Transfer pricing in general

Different companies within different industries have different aims when they deal with their transfer pricing. In general, the aim of transfer pricing can be categorized into two broad types:

- The first aim of transfer pricing is to generate profit efficiently. For example, how the multinational enterprises make the most profit by choosing different transfer pricing strategies, such as different transfer pricing methods.

- The second aim of transfer pricing is to distribute profit among different stakeholders of the organization. For example, in one multinational enterprise, who gets the profits generated – shareholders, minority shareholders, employees, etc (Tyrrall & Atkinson, 1999).

What’s more, figure 2 illustrates how the main influences, within these two categories, impact upon transfer prices. These influences are both from external of the company and from internal of the company.

In figure 2, the outer circle represents the boundary between the multinational corporation (MNC) and the outside world. Inside this are the internal pressures on transfer pricing caused through the drive for efficiency. These pressures are usually felt through the profit signals in divisional accounts and the impact on management bonuses. The MNC is also subject to external pressures on its transfer pricing from outside interests, direct and indirect taxation authorities, regulatory bodies, employee representatives and shareholders, all seeking their share of the income (Tyrrall & Atkinson, 1999).
Even though in our case, the main factor influencing the transfer pricing policy of the case company comes from taxation authority, based on figure 3, in Superfos or in other MNCs the adjustment of transfer pricing can provide a lever not only to reduce the corporate tax bill, but also to:

1. moderate employees’ wage demands by reducing the published profits;
2. reduce the share of corporate profits allocated to minority shareholders or joint venture partners;
3. challenge government price controls by increasing base costs;
4. avoid anti-dumping charges by reducing base costs; or
5. reduce the impact of customs duties on imports (Tyrrall & Atkinson, 1999).

These aims are as likely to be mutually conflicting as they are to be mutually reinforcing. For example, Figure 4 shows how these aims might affect the transfer price to Superfos case where a manufacturing company in a low tax jurisdiction is selling goods to a distribution company in a high tax jurisdiction.

As the diagram demonstrates, some of these factors will encourage managers to increase transfer prices while others will have the opposite effect. Worse still, the direction of these influences can change over time, for example if one country changes its tax rate (Tyrrall & Atkinson, 1999).
There are different ways to report company’s transfer pricing transaction, and each transfer pricing method has its advantage and disadvantage. In the following section, the author will talk about how different transfer pricing methods work.
3.2 Transfer pricing methods

3.2.1 Overview of methods

Since the Swedish transfer pricing requirement is based on the OECD guideline, therefore, we divide the transfer pricing methods into two basic types:

- the tradition transaction-based methods; and
- the profit-based methods

The family tree show in figure 5 summarizes the OECD methods according to these two types (Tyrrall & Atkinson, 1999).

![Transfer pricing methods – family tree]

Based on the perspectives from the case company, the Swedish taxation authority and the OECD guideline, the traditional transaction based methods are preferred since they can be tracked easily by the authority and clearly shows the transaction of the company than the profit-based methods. Hence, in this part, we will mainly deal with the three transfer pricing methods, comparable uncontrolled prices (CUP), resale price method (RPM) and cost plus (CP), which belong to the traditional transaction based methods. (Tyrrall & Atkinson, 1999).

3.2.2 Comparable uncontrolled price method

In the comparable uncontrolled price (CUP) method, prices charged on the transfer of goods of services in controlled transactions between entities in the same MNC group are compared with prices charged in uncontrolled transactions. Controlled transactions are defined that any form of transactions is controlled by the multinational companies. On the other hand, uncontrolled transactions are defined that any form of transactions are not controlled by the multinational companies. (Tyrrall & Atkinson, 1999).
There are many advantages of CUP method. The CUP method is regarded as preferable to all other methods where there is sufficient data to apply it, as it provides the most reliable measure of an arm’s length result if the goods transferred are identical, or there are only minor differences in trading which can be readily quantified. However, one of the disadvantages of CUP method is that in practice it is very unusual to find an exact CUP, or even a closely comparable CUP. Exceptionally, if there are differences that can be quantified or justified, or if there are only minor differences which cannot be readily quantified, the CUP method can still be used if it is more reliable than other methods available (Tyrrall & Atkinson, 1999).

This CUP method can be illustrated that suppose associated company A sells goods to associated company B as illustrated at the top of figure 6. In seeking comparisons, company A may investigate sales between parties which are completely unrelated to it (company C sales to company D). However, detailed data on such transactions may not exist in the public domain. Hence, company A may prefer to use its own sales to an unrelated party (company A sales to company D), or its own purchases from an unrelated party (company B purchases from company C). Comparison may be made from either end of the transaction. (Tyrrall & Atkinson, 1999).

The main focus is on the comparability of the products transferred, which may require adjustments for differences in:
• the products themselves – quantitative or qualitative differences in the product supplied;
• the contractual terms – exclusive v. non-exclusive, duration of contract, rights to receive updates, ongoing business relationships, etc.;
• the volume of transactions – discounts for bulk transactions;
• the markets – geographic or sectoral differences; and
• the profit potential on resale – effect of intangibles, trademarks, etc (Tyrrall & Atkinson, 1999).

The CUP method may also be used for the transfer of intangible assets and services.

### 3.2.3 Resale price method

The resale price method (RPM) evaluates whether the amount charged in a controlled transaction is at arm’s length by reference to the gross margin realized in comparable uncontrolled transactions. It is mainly used to determine the transfer price a controlled sales and marketing company (distributor) should pay for goods which it sells on to unrelated parties. The point of reference is the gross margin which remunerates the distributor for all functions performed, risks taken and costs borne. As shown in figure 7 below, the RPM calculation starts with the anticipated average end selling price achieved by the distributor. The gross margin is deducted to compute an appropriate arm’s length price which the distributor should be charged, i.e. (Tyrrall & Atkinson, 1999).

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Resale price charged to unrelated customer by distributor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2</td>
<td>minus</td>
</tr>
<tr>
<td>Step 3</td>
<td>equals</td>
</tr>
</tbody>
</table>

Figure 7 Resale price equation (Tyrrall & Atkinson, 1999).

The resale price method requires detailed comparisons of functions performed, risks borne and contractual terms of controlled and uncontrolled transactions. As a result, a higher degree of comparability is likely to be found between the margin the tested reseller makes on property supplied by the associated supplier and the margin it makes on property supplied by unassociated suppliers (OECD, 1995).

The resale price method works best when the distributor does little to add value to the product other than normal sales, marketing and distributive activities. However, there is less concern with the comparability of products than in CUP. The main focus in this method is on the comparability of functions undertaken (OECD, 1995).
3.2.4 Cost plus method

The cost plus method is most often used for ascertaining a fair remuneration for manufacturers of goods and for the supply of intra-group services. As shown in figure 8 below, it starts with the manufacturer’s or service provider’s cost of production, and adds a mark-up margin to compute an appropriate arm’s length price which the supplier should receive for the goods or services provided. (Tyrrall & Atkinson, 1999).

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Cost of production incurred by manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2</td>
<td>plus</td>
</tr>
<tr>
<td></td>
<td>Mark-up on cost</td>
</tr>
<tr>
<td></td>
<td>i.e. gross margin earned by</td>
</tr>
<tr>
<td>Step 3</td>
<td>equals</td>
</tr>
<tr>
<td></td>
<td>Transfer price</td>
</tr>
<tr>
<td></td>
<td>received by manufacturer on sales to associated</td>
</tr>
</tbody>
</table>

Figure 8 Cost plus equation (Tyrrall & Atkinson, 1999).

In cost plus both the direct and indirect production costs are marked up. According to the OECD, historical costs should be used as a basis for the mark-up. Many tax authorities follow this approach, but historical costs vary due to fluctuating circumstances, and it may be more appropriate to use some form of average cost when applying cost plus to a limited period. (OECD, 1995).

The cost plus method is sensitive to differences in the accounting classification of expenses between cost of goods sold and overhead expenses. This will be affected by whether the business uses marginal or absorption costing. Indirect costs should be allocated fairly and consistently according to sound cost accounting principles. In the long run an enterprise must cover all its costs to remain in business, hence tax authorities tend to prefer absorption costing for cost plus, although the taxpayer may be able to justify the use of replacement cost or marginal cost due to short run competitive pressures (OECD, 1995).

3.2.5 Transactional net margin method

The OECD represents transactional net margin method (TNMM) as computing the appropriate net profit on particular transactions or groups of transactions. In practical terms, TNMM is usually applied as a method of last resort, or as a secondary check on one of the traditional methods, by comparing the net margin resulting from a group of related party transactions with the net profit margins of independent companies which are engaged in broadly comparable transactions (OECD, 1995).

Net margins may be less affected than the price by product differences, and also less affected than the gross margin by functional differences. However, net margin may be affected by factors which do not necessarily impact upon price of gross margin, e.g. changes in overhead costs and management efficiency. Net margins may be compared on different bases, e.g. cost, sales or assets. In practice, there are four different ratios which are commonly used as comparators or profit level indicators (OECD, 1995). These are summarized on the family tree shown in figure 9 below.
3.2.5.1 Net margin on sales

Net margin on sales is similar to the resale price method, but compares net margin rather than gross margin to sales. It is generally better to use net operating profit, i.e. earnings before interest and tax (EBIT), rather than profit before tax (PBT), in order to exclude the effects of non-operating income and expenses. This approach eliminates the effects of funding differences between the businesses, for example, the effects of differing debt: equity ratios (Tyrrall & Atkinson, 1999).

3.2.5.2 Net margin on cost

Net margin is similar to cost plus, but whereas cost plus measures profitability relative to direct expenses, net margin measures profitability relative to direct expenses plus overhead expenses (= total cost). Thus, it avoids the problem of differences in the classification of expenses between cost of goods sold and operating expenses (Tyrrall & Atkinson, 1999).

3.2.5.3 Berry ratio

The Berry ratio (BR) measures return on operating expenses. It is most commonly computed as gross profit dividing up operating expenses

Berry ratios are sensitive to differences in the way the controlled company classifies expenses between cost of goods sold and operating expenses, and the way the comparable uncontrolled companies in the type or intensity of functions performed. The Berry ratio is generally more reliable when the level of capital relative to both sales and expenses is comparable between the two companies (OECD, 1995).

3.2.5.4 Net margin on assets

Rate of return methods are normally based on returns to total operating assets rather than returns to equity to avoid distorting the result due to differences in methods of financing by owners or lenders (Tyrrall & Atkinson, 1999). Operating assets exclude investments in long term financial assets.
This method may require adjustment for different methods of asset valuation. The net book value of assets in two companies may differ due to differing accounting policies, differing technology or simply differing ages of equipment (Pagan & Wilkie, 1993). The situation may be exacerbated when comparing a subsidiary to an independent company since the subsidiary’s current assets may be distorted by levels of intra-company current assets which are determined by group-level financial policies rather than by open market commercial considerations.

The full range of return on assets ratios is from -0.8% to 19.1%. This is the arm’s length range and a price determined using margins in this range should be acceptable under the OECD Guidelines.

The use of TNMM implies that external comparables of some sort are available. Where this is not the case, the MNC may have to use a profit split method (Pagan & Wilkie, 1993).

3.2.6 Profit split method

The profit split method relies entirely on internal data and is based on a detailed review of how an MNC generates the whole of its profits on a particular product or set of similar product types (Pagan & Wilkie, 1993). For a MNC that manufactures and distributes goods, such as Superfos AB in Tenhult, Sweden, this is sometimes known as the end-to-end profit or margin. The combined operating profit or loss from controlled transactions is allocated in proportion to the relative contributions made by each party to creating that profit. This method may be appropriate where transactions are highly dependent upon the relationship between the parties so that satisfactory third party comparables do not exist or where a single type of related party transaction cannot easily be isolated. The object is to achieve the same quality of profit split as would be found between two independent parties co-operating in a joint venture. Relative contributions are determined by functions performed, risks assumed and resources employed. Profit splits are usually done at net profit rather than gross profit level (Pagan & Wilkie, 1993).

Profit split can be divided into two broad stages:

- identify the profit to be split between the associated enterprises; and
- split the profit on some economically valid, and defensible, basis (Pagan & Wilkie, 1993).

In conclusion, according to OECD guideline, the tradition transaction based method, including comparable uncontrolled prices (CUP), resale price method (RPM) and cost plus (CP), is preferred by the company, the Swedish taxation guideline and the OECD guideline. Therefore, our analysis on chapter 5 is based on this kind of method.

3.3 Documentation within transfer pricing

International pressure for documentation requirements for transfer pricing are increasing. The major purpose for this is the aim to sustain the arm's length principle which is described in section 3.4.

Within the EU, the EU Joint Transfer Pricing Forum has been created in the search for the creation of a harmonized code of conduct regarding documentation in transfer pricing. The forum is represented by the member states and representatives from the business world. From the
forum, the EU Transfer Pricing Documentation has evolved in the striving for harmonization and is today accepted by all member states. However, it is voluntary for the enterprises to follow this code of conduct. Instead, enterprises are free to choose to follow either these regulations or the domestic regulations (Borkowski, 2003).

For OECD members, the major influence comes from the specific guidelines set on transfer pricing, stated in OECD Transfer pricing guidelines. They are though voluntary, however, often providing the basis for the domestic law. The issue of transfer pricing and especially the transfer pricing of intangible assets can be said to be aligned due to the OECD guidelines. The purpose with the OECD guidelines are among other things to help multinational companies and tax authorities by providing guidance and methods on how to solve transfer pricing cases. Furthermore, they should contribute to the solution of join agreements (Borkowski, 2001).

Apart from the OECD, IRS is a significant standard setter when it comes to transfer pricing and documentation. This is especially valid for the US and in 2002 a multilateral draft of a harmonized documentation process was created by the Pacific Association of Tax Administrators (PATA) including US, Canada, Japan and Australia (Borkowski, 2003).

3.3.1 Swedish regulations on enterprises concerning documentation

From the year 2007, international corporations operating in Sweden, either as Swedish owned or foreign owned, are required to provide documentation regarding their internal transactions. As these types of organizations are indeed common in the Swedish business world, it has several consequences on primarily tax issues, but also other factors. The implementation of the new law was inter alia set to defend the national tax authority's interests in tax payments, which would otherwise possibly be lost to those countries already providing such law (Prop 2005/06:169).

In the discussion behind the implementation, the requirement was argued not to be demanded on small and medium-sized enterprises, due to the inappropriate extra amount of administrative burden. However, this was neglected in the stated outcome as the argumentation then consisted of expectations that the enterprises should at the current time already have a somewhat functioning transfer pricing process on documentation because of their liability to cope with the arm's length principle (Prop 2005/06:169).

Explicitly the documentation, based on the OECD guidelines, should be kept available for a possible analysis by the tax authority and should contain the following:

Description of the company, the organization and its business

The description should be provided with respect to both legal and operational aspects. Thereby, the ownership and structure of the entire group is to be presented as well as how the organization has chosen to form its business and in which markets they are operating. For some cases it may also be beneficial to include a description of the specific industry in which the enterprise is operating and hence provide information regarding the competition, current trends and which factors that have the largest impact on the profitability. The purpose for this is to in a more clear sense explain the comparable transactions and contain argument for the enterprise's business strategy and whether the market is increasing, mature or declining which could have impacts on the transfer pricing (Prop 2005/06:169).

The characteristics and scope of the transactions
Here, a description regarding the corporation's internal transactions is to be provided, including things as terms and conditions and the approximate size of the transactions.

The type of transactions differs and in the proposition, four transaction types are listed.

a) Goods

In the case of goods, the comparability of market prices is wanted, due to the search of attaining the arm's length principle. In the search for comparable transaction prices, it is important to relate to business and industry conditions in a general sense, business type, geographical diverse markets, differences in quality and quantity, time period and finally contract terms which can include credit time, currency, service and guarantees (Prop 2005/06:169).

b) Services

The documentation should exist of a description of the provided services and an argumentation of the chosen divide key. Furthermore, it should contain information whether a cost plus method is in use, the specific basis of the costing at the divide and whether a certain profit margin is applied. Also, how the receiving enterprise has found the services beneficial should be explained (Prop 2005/06:169).

c) Intangible assets

Assets of this type can have significant value despite the missing numbers in financial reporting. Transactions that occur within this type can be of release or cost contribution arrangements. What these intangible assets have in common, is that they are experienced to be difficult to determine as they are specific in their settings, thus the comparability is difficult to define (Prop 2005/06:169).

d) Financial transactions

The major question in this case is whether the rate of loans is said to be in accordance with the arm's length principle with respect to the terms and conditions specified to the loan. (Prop 2005/06:169).

*Functional analysis*

This analysis should include the respective companies’ different functions, risks and tangible as well as intangible assets and their internal relationship. Thereby, the functions that determine the enterprise's profitability, the significant risks and the importance of potential intangible assets are stated. The main purpose of this analysis is to be able to create a basis for the choice of transfer pricing method and to be able to identify comparable transactions (Prop 2005/06:169).

*Description of chosen transfer pricing method*

The OECD guidelines regarding transfer pricing allow several transfer pricing methods to be used, including “Traditional transaction based methods” and the alternative “Transaction based earnings methods”. The Traditional transaction based methods consists of the Comparable uncontrolled price method, the Cost plus method and the Resale price method. The Transaction based earnings methods are constituted by the Transactional net margin method and the Profit split method. Further descriptions of these methods can be found in section 3.2 (Prop 2005/06:169).
The documentation should contain a description of the method used and its relationship to the OECD guidelines. In some rare cases, the companies should present why the other methods are not used under the best method rule. However, for Swedish companies this is just valid in exceptions while being required in other countries like Denmark, USA and Australia (Prop 2005/06:169).

Comparability analysis

Here, the analysis should include a description of internal or external transactions and how these are selected. Internal comparable transactions consist of transactions taking place between one of the enterprises within the group and an enterprise outside the group, in which between there is no group interest. External comparable transactions on the other hand are made up by transactions between two enterprises in which none of these are reported to be consolidated in the group (Prop 2005/06:169).

Since internal transactions are often well documented and comparable transactions are less detailed, the preferable method is to use the internal comparable transactions as they nevertheless provide a larger degree of confidence than external comparable transactions (Prop 2005/06:169).

3.4 Arm’s length principle

The basic principle within the international tax issues regarding transfer pricing is the arm's length principle. The characteristics of the principle are that commercial and financial transactions undertaken within a group should be executed on a market base, i.e. as if the enterprises were not consolidated. Hence, the possibility of transferring profits between different sovereign states due to more beneficial tax regulations should not be allowed. The reason for this is primarily attached to the potential lost tax revenues by the host country and the principle is generally accepted across the members of the OECD as well as among non-members (Borkowski, 2001).

In order to secure the arm's length principle, five issues are significant to consider, namely: (Handledning för internationell beskattning, 2008)

- The characteristics of the transaction
- The function of the parties
- Negotiated contract terms
- Economic conditions
- Applied business strategies.

These issues are included in the current Swedish regulation concerning the documentation of transfer pricing (Prop 2005/06:169).

Failure to achieve the conditions may in some countries lead to certain penalties, which have been imposed for the specific case of transfer pricing, while other countries use a more general approach of penalties regarding the inability of achieving the arm's length principle. In Sweden, general regulations are valid in the case of enterprises providing false information. However, severe avoidances of the requirements are required in the case of being subject to such penalties. The burden of proof is out on the national tax authority (Prop 2005/06:169) as for the rest of the European countries. In the US however, the opposite is the case.
(Borkowski, 2001). However, as reckoned by OECD, the burden of proof should in no case, by either the tax payer or the tax authority, serve as a mean to justify actions where no verification can be asserted (OECD, 1995).

In the 9th article of the OECD guidelines on transfer pricing the authoritative statement is to be found. This statement is laying as a foundation to the domestic regulations on transfer pricing for members of the OECD, as well as for non-members. The article states the following:

“[W]hen] conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly” (OECD, 1995).

Incentives to set a higher or lower price than the market value is as already expressed the avoidance of greater tax liabilities. However, the complexity in the area may be difficult to manage, thus providing unintentional outcomes. There are though other reasons than purely tax reasons why the arm's length principle has been implemented as touched upon earlier. By just removing tax considerations from an economic perspective, the principle has the possibility to provide growth of international trade and such investment (Prop 2005/06:169).

Countries regulations of customs valuations, anti-dumping duties and exchange or price controls can vary and thus affect the enterprise's incentives to transfer pricing distortions. Furthermore, distortions may be provided on the basis of the enterprise's requirements on cash flow in an MNE. Publicly listed MNEs might want to present a profitable result due to pressure from shareholders and thus ending up in the problematic world of transfer pricing (OECD, 1995).

3.4.1 Drawbacks with the principle

As for anything in the world, there are also some drawbacks that concern the arm's length principle. MNEs operating in industries such as integration of production on highly specialized goods, in some rare cases of intangibles and in the industry of providing specialized services, may find the principle hard to apply due to the complicated circumstances. This is also noticed by Bartelsman (2003) which describes the scenario in which a comparable market is nonexistent, thus the definition of the arm's length principle can be questioned. Furthermore, intellectual property is often especially problematic as it might be developed by one enterprise in the group and then used by another enterprise within the same group.

Regarding the additional administrative burden, it could provide increasing demands both on the enterprise as well as the tax authority. An illustration of the later case is when the tax authority is analyzing an enterprise's transactions on a post stage to their actual procedure, thus once again improving the difficulty of assuring acceptable market prices and thereby the principle. Further, the underlying thought that every OECD member should follow the principle in consensus is not achieved by all. The application and in the way the principle is interpreted differs (Bartelsman 2003).

Despite these facts, no significant alternatives exist and provide, and as further stated in the OECD guidelines, the abandonment of the principle would not only lead to a threat of the international harmonization but also to an increase in the possible threat of double taxation Bartelsman (2003)
Regarding the arm's length principle in Swedish law, the principle can be explicitly found in the 14 chapter 19 Para (1999:1229) and has often been referred to as the “correction rule”.

### 3.5 Summary of theory

In the theoretical section, adequate theories for this thesis have been presented in order to enable the analysis of the empirical findings. To start with, transfer pricing in general was described and its different factors in order to create a good base for what transfer pricing is about. For this thesis, the focus is though set on the taxation issue. The section is then continuing with descriptions of the different transfer pricing methods, including the comparable uncontrolled price method, resale-price method, cost plus method, transactional net margin method and the profit split method. Furthermore, a presentation of the documentation concerning transfer pricing is stated with a focus on the Swedish regulations which are based upon the OECD guidelines for transfer pricing. The last section of the theoretical framework is the presentation of the arm's length principle, its function and applicability but also criticism of the use of this principle.
4 Empirical findings

The fourth section of the thesis includes the empirical findings which all consists of one interview and a gathering of information from the Swedish tax authorities statements regarding transfer pricing. The outcomes of these are presented below and form the basis for the analysis.

4.1 Interview with Superfos

Göran Brengesjö has been the finance manager at Superfos since October 2008 and has been working with accounting since the mid 1980’s. He holds an academic background with a degree in Business and administration from Gothenburg. Thus this section is based upon Brengesjö (2009).

Administration

Superfos are required to document their transfer pricing in accordance with the documentation requirements set by the Swedish Tax Agency, implemented in 2008. However the implementation of the new regulations has not led to any significant increase regarding the administrative burden for the company. This is mainly due to prior internal regulations on how to work with documentation in transfer pricing.

When it comes to the transfer pricing policy in the Superfos group, it has changed over time. The old policy in the group was a commission based policy. If a factory in the group produces goods for a Swedish customer, the Tenhult factory gets the responsibility to maintain the invoicing to this customer. The selling company then accounted for the entire freight to the customer. Furthermore, the producing factory gave 6% in commission to the Tenhult factory for handling the payments if the customer was located in Sweden. If the customer then sold the product further to another customer, not being the final customer, a full cost was charged. This full cost included material, direct salary, overheads and freight, resulting in a OP0 result, which is a price including depreciations. Furthermore, another characteristic of the old policy was that the pricing was made in the receiving country's currency.

Today, these procedures have been changed on the basis of preventing beneficial buying and selling from the subsidiaries on a tax basis.

Thereby the transition period, from before to after the requirements was implemented, was quite easily managed. Furthermore, since 2009, Superfos have processed new internal guidelines for transfer pricing, including documentation requirements. These new internal guidelines have been created on a central level at the head office in Denmark with the help of tax advisors from KPMG to make clear that these internal guidelines are in line with the current legal requirements of every subsidiary. The reason of why to implement these are probably found in the problem of tax issues concerning one or several subsidiaries of Superfos, Göran Brengesjö continues. For the factory in Tenhult, selling to other countries is quite a big part of their daily business and thus these issues are important to them. Göran Brengesjö though mentions the recentness of the internal guidelines to be problematic, but which will disappear when accustomed to the working process. Further, the fact that every internal transaction is now invoiced in Euro and not in SEK has caused problems for Superfos in Tenhult as the SEK is currently performing bad compared to the Euro, resulting in a 18% more expensive price compared to before the new guidelines. Nevertheless he is of the opinion that the internal guidelines are functional.
Regarding the documentation requirements, Göran Brengesjö finds them very unclear in their settings. Though they are aware of the current regulations, they consider them to be general regulations lacking in specificity. However, he does not reckon any specific part of the requirements, rather the requirements as a whole to be problematic. Even though Superfos find their documentation satisfying and in line with the specific requirements and the arm's length principle, they cannot be certain that everything is done in a correct way until the tax auditors have analyzed the parts. Therefore, he argues that law praxis is needed in order to increase the certainty and thereby be able to find a way of what is to be expected of the company. Further they lack additional information from the tax authority such as complementary brochures, however such tools has on the other hand not been requested.

The regulations are though seen to be adequate for Superfos in relation to their purpose.

Transfer pricing method

Superfos has developed the transfer pricing method on the central level with the aim that it should be sufficient for all subsidiaries and for all national tax authorities in which these subsidiaries operate. The main focus of their model is the resale price method, as presented by the OECD. However, they use the outcome of this method to compare it with the result of the cost plus method. The highest result of these two methods is then used in Superfos. Göran Brengesjö mentions that the basic purpose is to provide a transfer pricing method that is market based.

Other methods than these two methods as described, are neither valid nor adequate for Superfos to use in their transfer pricing work.

Transactions

The documentation process at Superfos takes place for a group of transactions, rather than for every specific transaction they undertake. This is because taking every transaction into consideration would be very time demanding with approximately 60% of all orders, equivalent to 175-200 invoices per month, being orders where Superfos is not invoicing the final customer. The most common transaction type in Superfos is goods which represents approximately 98% of its total business. The remaining transaction type for Superfos is mainly services. Regarding the transfer pricing process, as developed internally, is all accounted for goods. In cases of services, such as the hiring of internal manpower, it is entirely cost based and thus being invoiced without additional charges.

Comparability analysis

The comparability analysis is created on the central level in the group. The market price for e.g. pots has been determined as well as the production cost, both with an internal and external perspective. Then either the cost plus freight and market overheads, or the selling price, minus freight and market overheads. This documentation base is not contained at Superfos in Tenhult. In necessary cases, it can though be required from the head office. The prices are averages for both the production and the freight and these numbers are taken from internal databases.

The market price is determined across several price markets for each factory and product. Thus, the comparability is created on an internal basis. The reason for why there is no external comparability analysis is because of the uniqueness of the products. Göran Brengesjö mentions that almost all liver pate packages existing in the market are produced at Superfos in
Tenhult. They rather look at what the price is if they would have sold the product directly to the customer.

**Functional analysis**

The assets in Superfos are valued at the purchase price decreased with planned off-writings. Internally produced assets are determined to the production cost. The production stock is valid at the direct material, direct salary plus overheads.

Regarding the analysis of the risks, they are not considered in the creating of the new transfer pricing model in Superfos. The account receivables are transferred within the group and thus they do not need to be advocated in the discussion of transfer pricing.

**Legal**

Superfos Tenhult is aware of EU:s regulations, however not specifically familiar with them. Göran Brengesjö says that the tax authorities' regulations are based upon these.

They are further aware of the consequences in case of the tax authority considering their documentation as unsatisfying. In such cases, the discussion is taken with the national tax authority by the central level, which is considered to be fair by Göran Brengesjö since the subsidiary does not possess specific information concerning the transfer pricing issues in the group.

### 4.2 Transfer pricing from the Swedish tax authority's perspective

The Swedish tax authority has the ability of providing prescriptions and information on related law issues. Apart from this, there are also specific guidelines regarding international taxation. This part of the thesis presents some of the issues that are brought up in these different documents. This section of the thesis is thus based upon Handledning för internationell be-skattning (2008).

**General issues regarding transfer pricing and the tax authority**

The current documentation requirement is there to help the tax authority analyze whether the transfer pricing in a group is coherent with the arm's length principle. In addition to the imposed law, the tax authority has provided a prescription (SKVFS 2007:1) and information regarding the documentation of transfer pricing (SKV M 2007:4). Apart from this, two legal cases has been brought to justice and from these, the tax authority has been able to state their position. These cases concerns a trading company's documentation requirements regarding transactions with a foreign group, and that a company does not have to provide documentation regarding transactions bound to a foreign company's operating business in Sweden. Furthermore, a well prepared documentation improves the possibilities by the current tax authorities to reach an agreement which might help companies to overcome double taxation.

In the case of transfer pricing of individual services which are conducted in a group, these should immediately be credited to the market price. If this is not able to find, the cost-plus method should be used instead.

**Transfer pricing methods**

Concerning the transfer pricing methods, the tax authority holds the comparable uncontrolled price method as the most favorable pricing method for companies to use. The reason for this is due to the price differences that normally are reflected by certain conditions between com-
panies, such as commercial and financial. The method is though often impossible to use due to the lack of comparable transactions. In order to increase the use of this method, the adjustment of comparable prices should be more frequent.

However, they state the resale price method and the cost plus method as the second best option in case of unsatisfying comparable transactions. The profit split method and the transactional net margin method should be regarded as the last option in the aim of determining the arm's length principle. Furthermore, it is often beneficial if more than one pricing method is used in order to secure the accuracy of the price analysis.

The resale price method is said to be an indirect method to determine the arm's length price. It is highly useful in cases of a manufacturing company selling the good to a selling company in the group which in turn sells the good to an independent party. However, it is not useful when refinement is involved. The most significant problem with the method is to calculate or estimate a correct margin. The size of the margin is affected by major differences in the way the comparable companies are operating their business.

The cost-plus method is cost based and thus it is not that sensitive to the volatility of the market. It is often useful in cases of the refinement and selling of semi-manufactured goods between companies in a group. Problematic with the cost-plus method is to determine a relevant mark-up margin to add since there are differences in how the accounting of costing is conducted throughout several countries. When determining this mark-up margin, it is important to consider both direct and indirect costs and due to the volatility of costs and market volumes it is appropriate to use an average. In case of comparability, there is a need for a possibility of adjustments in similar functions conducted by the current companies.

Functional analysis

Functional analysis is according to the guidelines a central part of the transfer pricing investigation. It is important to know the different functions and roles of the relevant companies. The juridical structure of the group needs to be compared with the actual structure and throughout the process, a comparability of how external companies have conducted such business. Concerning the risks, these need to be determined, both in terms of character and who possesses them. Risks include market risks, currency risks and stock risks. To analyze where the largest margins should be existing, the most significant risks should be analyzed. If a retailer is responsible for the marketing of the products, it should receive a larger earning than in the case of acting like an agent.

Furthermore, some risks are not possible to relate to any specific party, such as volatilities in financial markets. Then the sharing of risks has to be determined within group and imposed thereafter.

Collection of data

To achieve a covering picture of the transfer pricing process in the group, it is often necessary to acquire data from the analyzed year as well as earlier years. Furthermore, cases where some companies in a group report annual losses while other report annual profits should be analyzed by the tax authority. Such experiences can be traced to economic conditions, inefficiency or be the result of an aware business strategy.
When searching for comparable transactions, the method can vary with uses of databases as one example. However, the importance lies in the transactions of comparable conditions among independent parties.

**Burden of proof**

According to the guidelines provided by the tax authority, the burden of proof is put on the tax authority. Though, it is further important for the companies to be able to provide necessary information on such requests. In cases of a non-satisfying documentation, no specific transfer pricing penalty is imposed. However, the Swedish tax authority can impose general penalty under the tax law, ranging from 10% to 40% depending on the special circumstances.
5 Analysis

In this chapter, the empirical findings are analyzed with the help of stated theory. Specifically, this chapter is structured in the following section: Administration, Transfer pricing methods, Transactions, Comparability analysis and Functional analysis.

5.1 Administration

OECD is a major force in the process of transfer pricing. It serves as a basis for several countries’ regulations regarding transfer pricing issues, among them the arm’s length principle and the documentation requirements. Sweden has followed the trend and adopted the documentation requirements which have the possibility of adding administrative burdens and new processes regarding the work with transfer pricing.

In the case of Superfos as a subsidiary, they are required to follow these expectations. However, as transfer pricing group is centralized, the administrative burden has not specifically increased during the transition period. Rather, a new system has been adopted throughout the entire Superfos group with implementation in 2009. This seems to be reasonable with having many subsidiaries in different countries. Thus Göran Brengesjö mentions there are some difficulties with the transfer pricing issues, but they are likely to disappear with time. With respect to model 3.2, Superfos would impose incentives to over-price their goods since the Swedish tax rates are higher than Danish tax rates. However, this has to be stated in caution.

Further, there has to be a trade-off between the differences in national regulations regarding documentation on transfer pricing. As this strategy is new since 2009, it is to be seen whether it is useful or not. Thereby, the transition to a greater requirement on documentation has not caused the subsidiary in Tenhult and greater administrative burdens.

Göran Brengesjö at Superfos mentioned the uncertainty of knowing if the documentation that is provided is being sufficient or not in case of an analysis by the tax authority. With regard to the relative new requirements, this should though be clearer in some time when the law cases will show provide practice information. Furthermore, there are some information and guidelines provided by the tax authority that can be used to get a clearer picture of the issue. However, this should in the end not be problematic for them as in that case the centralized department will handle the dispute.

Based on the words from Göran Brengesjö at Superfos, the main documentation issue existing in his company is uncertainty. The company’s uncertainty is mainly driven by how to report to the taxation authorities. From figure 3 and figure 4 which are stated in the theory chapter, we can say that the main influence, which has impact upon Superfos’ transfer prices, is taxation authorities. This pressure is from outside world such as direct and indirect taxation authorities and other regulatory bodies. Despite this uncertainty, the majority of the transfer pricing work in the group is processed at the central level and thus this should not be a problem for the subsidiary.

Considering the arm’s length principle, Superfos argue they are attaining the demands through their transfer pricing work.

Based on the guideline from Swedish taxation authority, we develop a process in order to give Superfos a broad view what the Swedish taxation authority prefer, specifically, what kinds of
materials should be in the transfer prices’ documentation to the taxation authority. One can also consult our suggested model presented in the next section of this chapter. In order to solve the uncertainty problem existing in Superfos, we give some administrative suggestions as follow:

• Superfos should give reasonable consideration to whether its transfer pricing is appropriate for tax purposes in accordance with the arm’s-length principle before the pricing is established. For example, Superfos need to prepare an analysis of transactions under the arm’s-length principle. This includes information about the associated enterprises involved, the transactions at issue, transactions of a similar nature with unrelated parties, and details of known comparables. At the same time, general information required for information on associated enterprises should also be prepared. This includes outlines of the business, details of the structure, operating results, tax rates suffered, and details of the pricing policy adopted, having regard to its consistency with the arm’s-length principle. Finally, other useful information, including details of setoff transactions, information on the management strategy of the business, information explaining profit and loss items, information that would support an analysis of the business between its different functions, and details of the process of negotiation relating to the transfer prices, should be prepared (Pagan & Wilkie, 1993).

• Superfos’ process of considering whether its transfer pricing is appropriate for tax purposes should be determined in accordance with the same prudent business management principles that would govern the process of evaluating a business decision of a similar level of complexity (Pagan & Wilkie, 1993).

• Superfos should comply with reasonable requests for the translation of documents that are made available to the tax administration. (Pagan & Wilkie, 1993).

• Superfos may need to prepare or refer to written materials that would not otherwise be prepared or referred to in the absence of tax considerations, including documents from foreign associated enterprises (Pagan & Wilkie, 1993).

• Superfos should not be obliged to retain documents in connection with transactions in years for which adjustment is time barred (Pagan & Wilkie, 1993).

• Superfos must take into consideration that adequate recordkeeping practices and the voluntary production of documents can improve the persuasiveness of its approach to transfer pricing (Pagan & Wilkie, 1993).

Swedish tax law contains no statutory provisions or regulations specifically requiring a company to prepare particular documentation in relation to an intercompany transaction with a related company in another country. Nor does it contain any rules regarding specific documentation for verifying the method used to determine the transfer price between related enterprises (Pagan & Wilkie, 1993).

The Swedish tax authorities have issued no specific practice statements on recommended documentation in relation to transfer-pricing issues.
Swedish tax legislation or recommendations do not require that written agreements be entered into in relation to the sale of goods between a Swedish company and a related foreign company. However, for purely practical reasons, such a Swedish company should determine the principles to apply to transactions with related companies. Doing so would help provide a safeguard if the tax authorities subsequently challenge the transactions. If a foreign company regularly supplies various services to a Swedish company, it is advantageous to have as evidence a written agreement regarding the services supplied and the consideration paid in return, particularly if many companies are involved and receive services from an enterprise in the group specifically supplying such services. If no such written agreement exists, the tax authorities tend to show a greater interest in challenging the prices charged for the services in question. A service agreement based on sound commercial principles will generally be accepted by the tax authorities (Pagan & Wilkie, 1993).

5.2 Transfer pricing methods

Regarding the transfer pricing method, the comparable uncontrolled price method is the optimal method to use to ascertain the arm’s length principle. However, as stated both by theory, Superfos and the tax authority, it is hard to implement due to the complexity and uniqueness of transactions. The second best way to go is to use the resale price method or the cost-plus method with reference to the tax authorities’ guidelines.

From the interview with Göran Brengesjö at Superfos, we know that Superfos mainly apply resale price method to their company and they also use the cost plus method to check the result calculating from resale price method. Then, Superfos will use the highest result between the result from resale price method and the result from cost plus method. Göran Brengesjö mentioned that other methods than these two methods as described are neither valid nor adequate for Superfos to use. At the same time, the tax authority suggests that the profit-based transfer pricing methods such as the Transactional net margin method and profit split method, which are defined in chapter 3 of this thesis, should be conducted after having tried all the three preferred methods including comparable uncontrolled prices, resale price method and cost plus method. Therefore, we can say that Superfos is setting their transfer pricing methods policy following the regulation from tax authority.

At the same time, the tax authority holds the comparable uncontrolled price method as the most favorable pricing method for companies to use. The reason for this is due to the price differences that normally are reflected by certain conditions between companies, such as commercial and financial. The method is though often impossible to use due to the lack of comparable transactions. In order to increase the use of this method, the adjustment of comparable prices should be more frequent.

However, the tax authority state that the resale price method and the cost plus method as the second best option in case of unsatisfying comparable transactions. The profit split method and the transactional net margin method should be regarded as the last option in the aim of determining the arm’s length principle. Furthermore, it is often beneficial if more than one pricing method is used in order to secure the accuracy of the price analysis. For the case of Superfos, currently they are using resale price method and also checking the result from the resale price method by conducting the cost plus method. By doing this way, Superfos is doing what the tax authority demands. What's more, tax authority’s suggestion, where a company should use more than one pricing method in order to secure the accuracy of the price analysis,
is already being covered by what the Superfos is doing. Hence, we can say that Superfos is doing well concerning their chosen transfer pricing methods. (Pagan & Wilkie, 1993).

The resale price method is said to be an indirect method to determine the arm's length price. It is highly useful in cases of a manufacturing company selling the good to a selling company in the group which in turn sells the good to an independent party. Therefore, according to the perspectives from the tax authority, Superfos, as a manufacturing company, should use resale price method. However, the resale price method is not useful when refinement is involved. The most significant problem with the method is to calculate or estimate a correct margin. The size of the margin is affected by major differences in the way the comparable companies are operating their business (Pagan & Wilkie, 1993).

The cost-plus method is cost based and thus it is not that sensitive to the volatility of the market. It is often useful in cases of the refinement and selling of semi-manufactured goods between companies in a group. Problematic with the cost-plus method is to determine a relevant mark-up margin to add since there are differences in how the accounting of costing is conducted throughout several countries. When determining this mark-up margin, it is important to consider both direct and indirect costs and due to the volatility of costs and market volumes it is appropriate to use an average. In case of comparability, there is a need for a possibility of adjustments in similar functions conducted by the current companies (Pagan & Wilkie, 1993).

5.3 Transactions

Superfos are undertaking a vast amount of internal transactions annually. Thus, there is no possibility of analyzing each transaction; rather the group of transactions is used for the analysis. Since Superfos is operating in the plastic industry, their major transactions are evidently made as goods. The handling of the transactions are said to be consistent with the arm's length principle. Transactions are important to consider in the search of the achievement of the arm's length principle. With the current method used by Superfos this is likely to be fulfilled. However, the lack of comparable transactions brings an uncertainty as stated by Bartelsman (2003).

However, transfers pricing of services are also found in the group. Then it is mainly exchange of personnel and this is directly credited at the market price by the factory in Tenhult. This is in line with the recommended way according to the tax authority. Hence, no problems are to be discovered in the field of transfer pricing regarding services in the Superfos group.

What is problematic though in the search for the fulfillment of the arm's length principle is the case when the tax authority has to analyze transactions that have taken place several years back in time. This is not only time demanding, but also difficult to achieve due to the lack of similar conditions and possibilities of comparing these transactions. Then it is important for Superfos to keep track of their transactions.

5.4 Comparability analysis

The comparability analysis serves the purpose of achieving the arm's length principle and thus it is an important feature of the documentation process. Due to the uniqueness of their products the arm's length principle is not totally clear to establish.

As for all transfer pricing issues, the comparability analysis is created on the central level within the group. Since there are no adequate comparabilities to make due to the uniqueness
of their products, there is a risk that arm's length principle may not be fully established. However, in order to deal with this problem, the transactions are mainly analyzed on an internal basis which is the most reliable way of conducting the comparability analysis according to the stated theory. Hence, according to the company, the market price that is calculated at the basis of data from all factories in the group is reliable and adequate in relation to the stated requirements.

Apart from the internal analysis, Superfos have also the possibility of analyzing external transactions through analyzing the market price of the specific product. Thus the comparability analysis work in Superfos is following the current requirements.

The tax authority does not explicitly argue for any method to use when doing the comparability analysis. There are several different that are possible to use, they rather provide general information regarding the comparability when using a specific transfer pricing method.

In the case of inability to achieve satisfying data concerning the transactions in the search for the arm's length principle, general penalties can be imposed after the analysis by the tax authority. However, for this to happen these cases have to be severe. With the newly implementation this is likely to be taken quite easily and then increase in harshness as the companies knowledge and experience of transfer pricing increases. There is a clear need for cooperation between the tax authority and the companies in general regarding the documentation of transfer pricing. Furthermore, it can be questioned if Sweden should have implemented a specific penalty for the absence of satisfying documentation as the case of Denmark where the head office is located. However, this question focuses at the juridical issues and is therefore not of focus in the analysis. The importance lies instead in that Superfos are aware of the consequences in such case, which they seem to be. Thus the need for imposing a specific penalty in Sweden seems to be unnecessary in relation to the work of Superfos.

5.5 Functional analysis

Regarding the functional analysis, Superfos are not arguing to consider the risks in the process of transfer pricing. This is worth noticing as the tax authority states the functional analysis to be a central part of the transfer pricing process. However, Göran Brengesjö mentions that the production stock is valid at direct cost, direct labor and overheads. This is a common way of measuring the production stock and.

Despite their argumentation that risks are not considered in the transfer pricing process, they are indeed accounted for, however indirect. An evident risk which is dealt with is the currency risk that is now carried by each subsidiary as the Euro is used throughout the group. However, then it is not a risk. It would though be beneficial to create a clearer picture of the risks and how they are shared in the group, for the estimation of among other things margins since it is one of the major issues of securing the arm's length principle. Currently, this seems not to be explicitly considered by Superfos in their transfer pricing work.

Furthermore, Superfos Tenhult bears the risk of their production stock. This risk is respectively carried by all subsidiaries within the group and thus this can be seen as a divide of the risks.
5.6 Suggested model

Based on the issues existing in the company and the perspectives both from Göran Brengesjö and from taxation authority, we develop this model. The company can consult this model when they are thinking about their transfer pricing documentation process. There are six steps totally in this model. In order to give the company a specific view how to do in each step, the following parts state the explanation of each step.

5.6.1 Overview

This chapter will summarise the findings of the report, highlighting the results of the economic review and comparability analysis undertaken. It introduces the findings in the remainder of the report.
5.6.2 Company structure, including products and industry descriptions

This section is intended to enable the inspector to gain an understanding of the environment in which the company operates worldwide. An understanding of the relationship between the related companies, along with the products they trade in and the market they operate in will assist the Revenue to understand the issues affecting the group’s profitability.

Possible contents:

- Brief history and activities of the tested party.
- Structure of the group.
- Introduction to the divisions of the tested party.
- Nature of products distributed by the tested party.
- Nature of the business and industry in which the tested party operates.
- Performance of the industry during the period under review (Tyrrall & Atkinson, 1999).

5.6.3 Identification of relevant transactions for the tested party

This chapter will identify all transactions undertaken by the tested party (including finished goods, financing, inter-company expenses, etc.) and describe the group’s transfer pricing policy in relation to each transaction or group of transactions.

Contents:

- Identification of groups of transactions, including those with related and unrelated parties, for each of the years under review.
- Description and quantification of transactions for each year under review.
- Identification and description of pricing policy and terms of trade as they relate to each group of transactions for each of the years under review (Tyrrall & Atkinson, 1999).

5.6.4 Functional analysis

The functional analysis is intended to provide an understanding of the functions performed by the tested party and identify the risks the company has assumed in relation to the functions it has performed. The analysis of the functions performed and the risks borne by the tested party in relation to the group companies is necessary to determine the value added by the group and whether the transactions undertaken between the parent company and related entities have been carried out on an arm’s length basis.

Contents:

- Identification of the separate functions performed by the tested party, including co-ordination, planning and administrative functions, etc.
• Determination of the degree of complexity involved in each of the identified functions performed.

• Identification of the level of risk associated with the functions undertaken by the tested party including inventory, technology, obsolescence, product quality, R&D, warranty, foreign exchange, insurance, etc.

• Completion of an “activity map” to assist in the identification of comparable entities (Tyrrall & Atkinson, 1999).

5.6.5 Comparability analysis
This chapter will describe the outcome of a search to find comparable transactions or comparable companies to be used to benchmark against the tested party’s inter-company transactions and results. The search criteria will be based on the functional analysis.

Contents:

• The search for transactional comparables between unrelated entities, either in terms of internal or external information.

• Assessment of transactional comparability of independent third party transactions to establish their applicability to the tested party.

• Assessment of the use of profit-based methods to establish the result of transactions conducted on an arm’s length basis.

• Determination of the tested party to be used in a comparability study.

• The search for companies comparable to the tested party in terms of their functional analysis.

• Selection of the relevant profit level indicators and application of capital adjustments as necessary.

• Application of the most appropriate method.

• Interpretation and summary of results (Tyrrall & Atkinson, 1999).

5.6.6 Results
The effect of business, financial and economic factors on the results of the tested party will be analyzed.

Contents:

• Analysis of the results of the tested party, taking into account information held in budgets and management reports.

• Identification of budgetary variations arising from factors internal to the company.

• Identification of economic factors which were unexpected or outside the tested party’s control.
• Evaluation and quantification (Where possible) of the effect of the above factors on the tested party’s results.

• Addressing of issues arising from the economic analysis and comparability study (Tyrrall & Atkinson, 1999).
6 Conclusion

In the final section of the thesis, the conclusion is stated with a divide by the analyzed sections and end up with the thesis weaknesses and further recommendations as well as how this thesis contributes to the academic world.

6.1 Conclusion based on contents of each section stated above

6.1.1 Administration

In conclusion, the main problem originated from Superfos is the uncertainty of knowing whether the documentation that is provided is being sufficient or not in case of an analysis by the tax authority. Based on our analysis, we can say that what Superfos are doing is on the line with necessary requirement from Swedish Taxation authority. However, Superfos and other companies can consult our suggestion in analysis part and our suggested model as well.

Despite the uniqueness of their products, the authors state that Superfos achieves the arm's length principle with their current transfer pricing method.

A great help in their work with transfer pricing has been the consultancy by KPMG who have assisted them on an international basis to assert that their work is in line with current requirements. Thus, consultancy is argued to be significantly important in the area of documentation within transfer pricing due to the high degree of complexity, especially with an international perspective.

6.1.2 Transfer pricing methods

The documentation on transfer-pricing methods required of an enterprise must be evaluated in the light of Swedish accounting legislation. The recommendations of the International Accounting Standards Committee (IASC) are considered to provide a useful basis for determining what may be regarded as generally accepted accounting principles in Sweden. The IASC’s recommendation No. 24 requires that the annual report of enterprises include information on the pricing policy employed. On the basis of this recommendation, the Swedish fiscal authorities argue that generally accepted accounting principles require that enterprises having substantial international operations have documentary material on transfer prices and that information on transfer pricing be included in the annual report.

For the case of Superfos, what they are doing fully follows the regulation or suggestion from Swedish taxation authority. Hence, Superfos does not need to change their transfer pricing methods policy and just stick to what they are doing presently.

6.1.3 Transactions

Regarding the transactions, Superfos apply their transfer pricing mainly on goods. A large number of their transactions take place on an internal basis, thus transfer pricing is an important area for Superfos.

In some cases they also have services in the form of exchange of manpower in transfer pricing. The processing of these are in line with the tax authority's expectations.
6.1.4 Comparability analysis
The comparability analysis at Superfos consists mainly of internal comparability, with the analysis of goods. It is reasonable with the impossibility of providing comparable transactions in the market of, for example, liver pates, where Superfos is almost exclusive on the Swedish market.

This strategy is not specifically requested or wanted by the tax authority; however, it is a reliable method of achieving the arm's length principle under the stated conditions. Thus this method is adequate and should be continued to use within the group.

6.1.5 Functional analysis
The functional analysis is one of the parts in which Superfos has not explicitly considered in their transfer pricing process. The risks are though considered, however indirectly. Examples of risks that Superfos Tenhult is carrying are the production stock and the currency risk. Hence, the risks are considered but a clearer picture and knowledge on how the risks are shared and how it affects their transfer pricing process is recommended. With this, an increased awareness of how to continue the transfer pricing work is established.

6.2 Weaknesses
Since this thesis has focused at the documentation of transfer pricing, it would have been beneficial to have conducted an interview with the responsible for the transfer pricing at Superfos. Nevertheless, the majority of Göran Brengesjö's answers are based upon communication between him and the centralized department.

Further it could have been beneficial to conducted interviews with other companies in order to get a broader view and a clearer picture of the general attitude towards the documentation requirements.

A drawback is also the fact that no interview was conducted with the tax authority. This was aimed for, however despite frequent requests and promises, no answers were returned.

6.3 Further recommendations
For further studies, companies could be analyzed to investigate other issues that affect their transfer pricing work, both with a Swedish and an international perspective.

Furthermore, the subsidiaries' role in a group could be investigated. Both in the case of transfer pricing issues, as well as in a general perspective regarding level of influence and willingness to participate in setting new routines.

OECD is the leading in the field of transfer pricing. Their role and the effects of their guidelines could be analyzed since they are likely to continue to be one of the most important voices in the area of transfer pricing. It can in this field further be of interest to analyze the future of documentation in transfer pricing with regard to the OECD, EUJTPF and different national regulations.
6.4 Academic contribution

This thesis has contributed academically by presenting a clearer picture of the current regulations concerning documentation within transfer pricing. We find the clarification useful mainly for practitioners in order to get a better view of the requirements. However, the thesis is also useful for academics who want to achieve a better insight in the field as well as it explains the variables of documentation and how these should be related to in the relationship with a Swedish subsidiary. Furthermore, the application of the arm's length principle is analyzed and the thesis shows the applicability of the principle.
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Appendix
Frågor till Göran Brengesjö, ekonomichef, Superfos Tenhult.

Inledande frågor
Hur länge har du arbetat på Superfos?
Hur länge har du arbetat med redovisning?

Dokumentationskrav vid internprissättning
1. Påverkas ni av dokumentationskraven?
2. Hur ser ni på införandet av dokumentationskraven?
3. Har ni god kunskap i vad kraven innebär?
4. Anser du att dokumentationskraven är rimliga för Superfos i förhållande till syftet?
5. Anser du att armslängdsprincipen uppfylls i och med införandet av dessa krav?
6. Vari ligger osäkerheten angående dokumentationskraven för internprissättning?
7. Är dokumentationen gällande internprissättningen ny inom Superfos eller har ni tidigare upprättat sådan dokumentation och i så fall, vilken mall utgick ni ifrån?

Administration
8. Skiljer sig den administrativa bördan innan införandet av kraven jämfört med efter?
9. Anser du att processen vid internprissättningen fungerar väl?

Internprissättningss metod
10. Vilken internprissättningss metod använder ni er av?
11. Hur bestäms valet av internprissättningss metod i koncernen?
12. På vilka grunder har den valda metoden införts?
13. I vilken utsträckning försöker ni använda er av de prissättningss metoder OECD nämner?
14. Är någon av dessa prissättningss metoder inte tillämpliga på Superfos?
15. Använder ni någon policy som påverkar valet av internprissättningss metod?
16. Är prissättningss policyn formad efter dokumentationskraven?

Transaktionstyp
17. I vilka transaktionstyper använder ni internprissättning?
18. Vilken transaktionstyp är den vanligaste i er verksamhet?
19. Har ni olika arbetsmetoder beroende av vilken transaktionstyp det handlar om (varor tjänster, imateriella?)

20. Sker dokumentationen specifikt för en transaktion eller för en gemensam transaktionstyp? - Har detta ändrats jämfört med tidigare rutiner?

Jämförbarhetsanalys

21. Hur arbetar ni med att upprätta en jämförbarhetsanalys?

22. Har ni använt extern hjälp vid arbetet med att söka efter jämförbara transaktioner?

23. Använder ni interna eller externa transaktioner vid jämförelsebara transaktioner?

24. Hur väljs den externa jämförelsetransaktionen?

25. Hur genomförs jämförelsen för att undersöka om prissättningsmetoden är tillämpbar enligt armslängdsmetoden?

Funktionsanalys

26. Hur analyseras riskerna inom företaget och hos motparten och hur påverkar det i sin tur internprissättningen?

27. Hur är tillgångarna värderade i företaget och hos motparten och hur påverkar det i sin tur internprissättningen?

28. Hur analyserar ni vinstgenereringsförmågan i de respektive funktionerna?

29. Känner ni till EU:s krav angående dokumentation?

30. Är ni medvetna om påföljderna om kraven enligt lagen inte uppfylls?