Interested in Transfer Pricing software? Four things to consider

Modern software solutions improve the cost, quality and efficiency of key processes business in Multinationals such as managing customers (eg Salesforce), managing the internal HR process (eg Talent Soft), and managing complex data analysis (eg QlikView). Only a few years back, such solutions were for the largest Multinationals only. However, rapid development in technology and cost-effective per user price schemes have made such solutions affordable for companies of all sizes. Multinationals are increasingly interested in exploring how a TP software solution can help them manage the practical challenges of managing the TP process. While the right TP automation solution can be magical for an organization and turn heroes into legends, it requires a solid business case with a clear value proposition and an attractive pay-back period to get budget approval, and organizational discipline to let the benefits unfold. This does require some preparation, but the gains are obvious and fully worth it.

> "In a recent EY survey 42% of respondents have no automation of calculation of adjustments, while 49% of respondents bemoan their lack of automation resulting in highly manual processes"*

Below are the four key things to consider during the feasibility phase when considering a TP software solution:

1. **Scope**: Define the business process or problem the TP software should address: 1) TP policy implementation or 2) building and managing TP reports. These are broadly the two TP software types currently available in the market and there appears to be no one solution that masters both disciplines. If focus is to reduce TP risk through correct, efficient and cost effective TP policy implementation, then look for TP software that enables the in-house team to collect intercompany data, prepare the data for TP purposes, monitor profits (target vs actual), calculate TP adjustments, and undertake analysis eg to understand the impact of changing TP policies. If focus is to save costs to external advisors in

relation to TP report compliance, look at a TP software that enables the in-house team to build and manage TP reports themselves. In most Multinationals TP reports are managed by Tax /TP, whereas TP policy implementation is integrated ownership between Tax/TP (policy owners) and Finance (data owners) and thus Finance will be part of the decision process.

2. **Value**: Every project needs a strong business case. As such, the key benefits expected from implementing the TP software should be defined and, to the extent possible, quantified. For instance, reduced cost to advisors, internal time saved and reduced risk can all be quantified, whereas better data quality and control less so. Acquisition cost, ongoing cost, and FTEs required to implement and manage the software should be considered. The outcome should be a pay-back period estimate ie how long it takes for the software to "pay for itself." All else being equal, shorter payback periods will always be preferable to longer payback periods.

3. **Readiness**: The organisation's readiness to automate the TP process should be reviewed. This normally means having intercompany data at the appropriate level of detail. For instance, a TP policy with a target EBIT margin at business unit level requires that segmented P&L data is available at business unit level all the way down to the EBIT line. Similarly, a TP policy with a target EBIT margin at product category level, with both retro-active (profit adjustments) and prospective adjustments (price adjustments) will require segmented P&L actuals and forecasts are available at product category level. This requires involvement of both Tax/TP and Finance as Tax/TP in many organisations often are too far away from the numbers.

4. **Ownership**: Every project with a budget needs a task owner and an internal sponsor. Make sure relevant buy-in exists in your or-

ganization. For TP software this usually means both Tax and Finance leadership. This requires visibility at the right level in the organisation and an appreciation for what you are trying to achieve. In most organisations, the ultimate sponsor will be the Head of Tax or the CFO.

We are happy to discuss the above with you and help you assess whether Intercompany® is the right solution for your organisation.

Please contact John Dar on john@intercompany-software.com for more info