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Transfer Pricing Practices: A Professional Perspective on Challenges and Solutions

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"Where either you're on your own job or you're dreaming about different things, you can always take something in your life and make it better."

Harland Sanders

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Introduction

In recent decades, increasing globalization has deeply impacted our world, leading MNEs to adapt their structures and strategies to the new dynamics that are shaping business boundaries. In this context, Companies conduct transactions with affiliates that could be located on the other side of the world. In this regard, transfer pricing, the determination of the price of intra-group transactions, has become fundamental to both corporate strategy and tax authorities. Although transfer pricing is commonly perceived as a fiscal matter, this research seeks to explore it more comprehensively, emphasizing its relevance across multiple dimensions within a company. By adopting the perspective of those who know it better than anyone else and experience it daily, the tax professionals, the study focus on regulatory, economic, technological and managerial aspects. Through their contribution it is possible to reduce the gap between theoretical knowledge and practical application regarding transfer pricing. For this purpose, the thesis is structured as follows:

Chapter 1 provides a theoretical overview of the global regulatory framework, with particular attention to OECD guidelines and their implementation. Furthermore, the study addresses transfer pricing influence on fiscal and managerial strategies, addressing the main opportunities and threats of transfer pricing.

Chapter 2 describes the two research methodologies adopted: the PRSIMA methodology and a thematic analysis for the selection of academic sources in Chapter 1, and the other for the collection of qualitative and comparative data in Chapter 3, 4 and 5. The latter includes a combination of different but complementary tools aimed at gathering insights that enrich the overall perspective as much as possible, such as interviews' coding, thematic analysis, case study and AI-supported analysis.

Chapter 3 examines the professional insights and case study presented within it, with the aim of highlighting the recurring patterns and key differences.

Chapter 4 summarizes the key findings and offers reflections on operational strengths and challenges regarding the evolving environment of transfer pricing consultancy, including precious insights for future exploration. This chapter, together with the previous one, constitutes the focus of the research, providing real-world examples and expert perspectives to illustrate how transfer pricing policies are applied in practice.

Chapter 5 concludes the thesis by offering a comparison between human and AI-supported analysis of data collected for the purpose investigated in this thesis. This aims to encourage the reader to thoughtfully consider the potential academic benefits that certain technologies may offer, which can only be realized through their responsible and ethical use.

Chapter 1: Transfer Pricing Introduction

1.1 Transfer Pricing's background

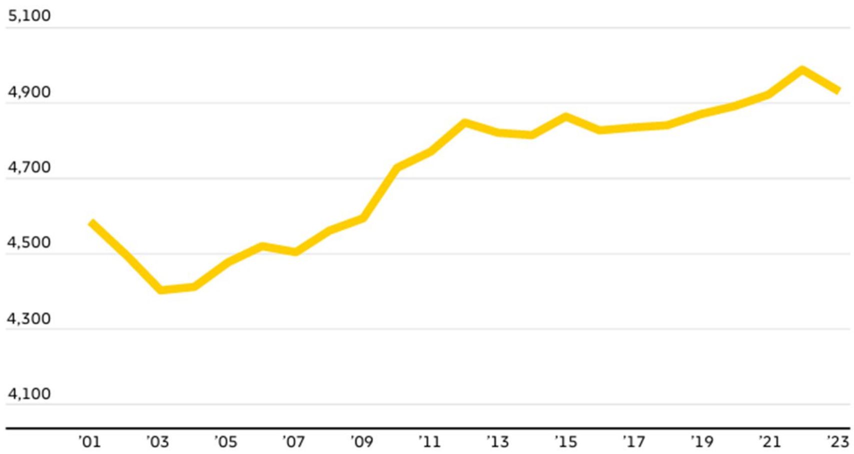
With the industrial revolutions, business, transportation, and communications went through significant changes, leading to rapid growth and facilitating the large-scale shift of investment across national borders to seize all the opportunities the world had to offer. In a world that is borderless, characterized by new economies and infrastructure, skilled labour low production costs, innovative financial instruments and global production, the way goods are produced and distributed is continuously reshaped (Smith, 2015).

Companies expanded to different locations, gaining business advantages by establishing subsidiaries with in-depth knowledge of local markets, improving cost efficiency and management effectiveness. This geographic expansion led to the rise of large multinational enterprises (hereinafter MNEs) groups. The entities that form the MNE group are no longer operating as individual actors, but as single integrated unit. This dynamic has increased the importance of relationships and exchanges between affiliates, making them more relevant compared to those of independent companies (Mazur; 2016). Indeed, their growth has not only increased the complexity of their operations and strategies but also added significant challenges to their sales and tax management (Sikdar, 2006).

According to the last Global Trade Update by UN Trade and Development (UNCTAD), global trade hit the record amount of 33 trillion dollars in 2024, driven by services that represent nearly 60% of the total annual growth.

Additionally, the DHL Global Connectedness Report 2024 underlines how multinational companies and globalization are growing, generating a larger share of their sales abroad. The report also emphasizes that international flows are increasingly taking over greater distances, as shown below, reflecting the growing global reach, especially driven by emerging markets.

Figure 1.1 - Merchandise Trade Average Distance (kilometers), 2001 – 2023[1]



Source: DHL Global Connectedness Report 2024 and IMF Direction of Trade Statistics, CEPII Gravity database

One of the most important factors for companies is the price at which they sell their goods and provide their services, not only to their end customers but also companies belonging to the same MNE group.

To understand the relevance of transactions between affiliated companies (hereinafter intra-firm transactions), Shaxson (2019) offers valuable insights. The data suggests that intra-firm trade flow is growing continuously, with more than ⅓ of the world trade happing inside MNEs. This estimate is confirmed by the OECD (known as OCSE in Italian) and the World Bank. This underlines how MNEs have a fundamental role in shaping today's economy and, consequently, our daily decisions.

In the context of intra-firm transactions, the concept of transfer price is central. The term "Transfer pricing", according to Holtzman and Nagel (2014), refers to the pricing arrangements for transactions between related business entities. These pricing arrangements represent fundamental tools for companies, addressing strategic needs, organizational management, economic decisions, tax planning, and more. Related business entities could be divisions within a company or separate companies within the same global group, engaged in the exchange of goods, services or intangibles assets. Nowadays, considering high levels of integration among MNEs, it's easier to shift all these factors from one jurisdiction to another one in a short period of time. In particular, the

[1] In the graph, the vertical axis represents kilometers covered in merchandise trade transactions, while the horizontal axis represents the reference years.

second aspect of the definition - separate companies within the same global group - is specially emphasized for tax purposes. For "related business entities," as highlighted in Article 9 of the Organization for Economic Cooperation and Development (hereinafter OECD) Model Tax Convention, it refers to associated enterprises, meaning *an enterprise of a Contracting State participates directly or indirectly in the management, control, or capital of an enterprise of the other Contracting State.*

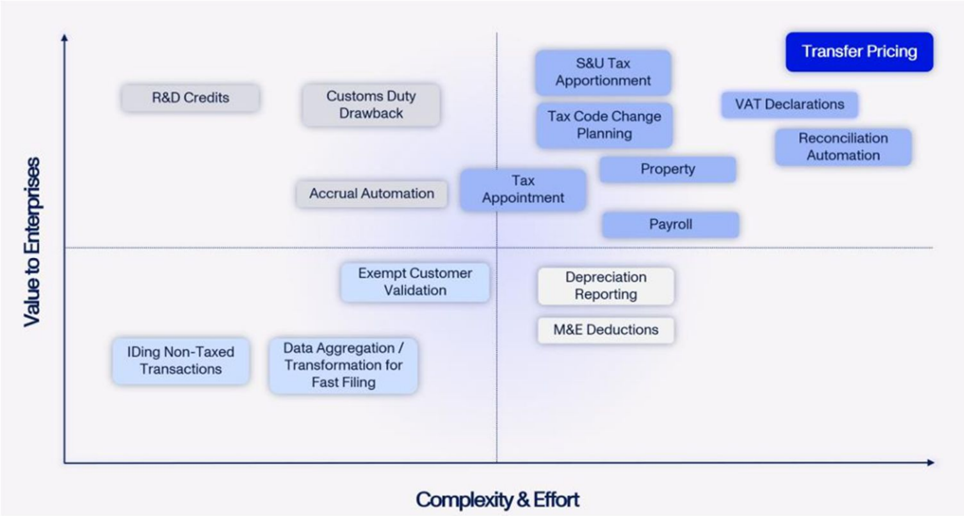
MNEs groups generally have subsidiaries in countries that are distant from each other not only geographically but also politically, economically, and consequently, fiscally. Nowadays MNEs must increasingly comply with different cultures, needs, laws and requirements that differ from jurisdiction to jurisdiction, in order to have a deep understanding of the local business and tax planning. Indeed, in a context marked by geopolitical uncertainty, the emerging fiscal challenges have a large impact on the costs and income, and consequently, on the results of these companies.

1.2 Tax literature and OECD Guidelines

The concept of transfer pricing isn't born as a concept related to tax optimization but to economic aspects, to create value for a company and its stakeholders, meeting the need of inventory valuation and evaluating the performance of separated entities or divisions of the same business (Petruzzi & Tavares, 2019).

Subsequently, the relationship between transfer pricing and tax revenues has rising concerns in international companies. Indeed, MNEs have long been increasingly worried about the tax impact of transfer pricing, considering it the most important tax issue they face over any other (Ernst & Young, 2008). Nowadays, transfer prices continue to be carefully taken into account by financial and tax departments of MNEs groups, as highlighted in the table below, which relates the value to the business to the complexity and effort required to address each tax issue.

Figure 1.2 - Main financial and fiscal concerns for companies



Source: Watson Scott, Rothkugel Joshua, Collins Jack, Activant Research, The Future of Transfer Pricing A Call to Action for CFOs, Q1 2025

Companies find attractive to reduce or eliminate taxes as it is simply aligned with the goal of maximization of profits and shareholder value. It also has a huge impact on dividends and executive rewards as these are linked to reported earnings. Since the amount of tax payable is dependent on these earnings, corporate attention becomes more focused on 'transfer pricing' strategies (Sikka and Willmott, 2010).

In addition, transfer prices are crucial due to the existence of informational asymmetry between businesses and tax administrations, as multinational enterprises, by manipulating transfer prices applied to transactions carried out with companies within the same group, can shift profits from countries with high levels of taxation to countries with lower tax rates or to loss-making companies (Verlage, 1982; Avi-Yonah, 2000; Raimondos-MØller, Kimberley Scharf 2002).

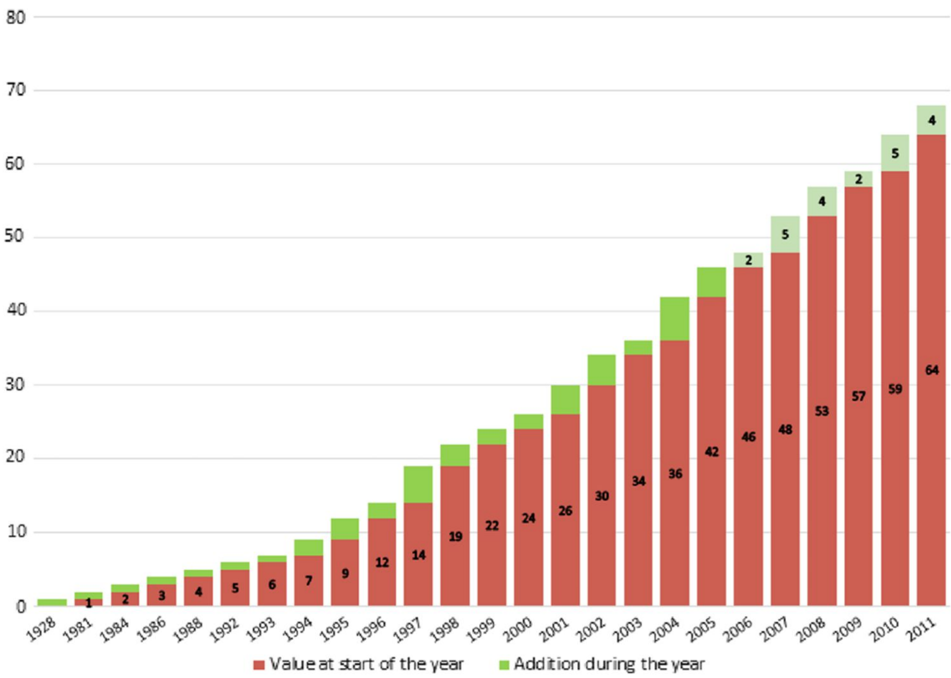
MNEs tax avoidance practices have led tax authorities to strengthen audits by requiring more detailed transfer pricing documentation from companies. A correct application of transfer pricing rules significantly impacts the main dynamics and relationships of MNEs group business. As a result, compliance costs have increased, as companies must allocate more resources to ensure adequate reporting and compliance. Instead, for tax administrations it's less expensive to stricter regulations than to allow companies to act improperly for their own purposes.

In addition, transfer prices regulation deeply affects foreign investments decisions. Studies suggest how foreign investment is 11% lower, on average, after the introduction of transfer pricing regulations, compared to similar firms that do only domestic investments (de Mooij and Liu, 2020).

The impact is larger if regulations are stricter and if companies have few intangible assets. Furthermore, investments' impact is larger if differences between tax rates of different countries become larger. Anyway, the overall MNEs investment remains unimpacted by stricter regulations, as companies tend to relocate investments among their affiliates across different countries rather than drastically cutting investments at the group level.

Finally, the introduction of transfer pricing regulations would distort the international distribution of capital within MNEs groups, leading to spillover effects in some countries. However, noncompliance costs are even higher, as companies face tougher penalties, including significant fines, tax revaluations, and reputational damage.

Figure 1.3 - Number of countries with Transfer Pricing Regulations, 1928 - 2011[2]



[2] The graph illustrates the expansion of countries implementing Transfer Pricing Regulations over the past century. Notes: There was a phenomenon of large growth between 1996 and 2011, during which the number of adopting countries more than tripled. Source: De Mooij & Liu, At a Cost: The Real Effects of Transfer Pricing Regulations (2020)

This growing regulatory pressure has made transfer pricing a critical concern for multinational enterprises, pushing them to implement stronger internal policies and risk management strategies to mitigate potential financial and legal issues.

Policymakers and international organizations, first of all the previously mentioned OECD, have been working for a long time to establish a clear, comprehensive, and harmonized regulatory framework at the international level. The result is a set of guidelines, developed to establish and implement international standards to help countries build better policies aimed at overcoming economic, environmental and social challenges.

The first OECD guidelines were published in 1979 with the Report Transfer Pricing and Multinational Enterprises. The guidelines have been adopted to a very large extent, especially by Western countries. Subsequently, the OECD reformulated and update the Transfer Pricing Guidelines in 1995, representing the benchmark for the development of more detailed national rules. [3] New guidelines were introduced in 2017, but they have been overcome by the current version. Nowadays, OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, published in January 2022, represent the regulatory reference for all the OECD members and more.

The OECD's 38 members are countries, all over the world, that collaborate on key global issues, particularly related to development, trade and policy, using the Organization's data and analysis to inform policy decisions.

These guidelines are fundamental in defining how to determine the prices through which parent and subsidiaries companies exchange goods or services. For this purpose, OECD introduced the separate entity approach, by which each enterprise within a MNE is treated as a separate entity, taxed on the income it generates within its jurisdiction.[4]

To correctly apply the separate entity approach, the *Arm's length principle* was introduced. To understand what it consists of, it is necessary to consult the previously mentioned

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[3] For more detailed info about national regulations and documentation requirements please consult the report EY Worldwide Transfer Pricing Reference Guide (2022-23),

[4] Article 4, Residence, of OECD Model Tax Convention on Income and on Capital (2017) highlight that taxation is based on the principle of origin or residence: a person (or entity) is a resident of a contracting state if they are subject to tax in that state due to their domicile, residence, place of management, or similar criterion.

Article 9 of the OECD Model Tax Convention: "*where 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*".

In simple terms, the price of transactions between affiliated enterprises must be consistent with what independent firms would pay, and neither side should influence the other. Otherwise, the tax authorities may adjust the price to ensure a fair evaluation. [5]

Anyway, it's not always easy to apply this principle, because affiliated enterprises could be engaged in transactions that independent enterprises would not do. That's the case with intra-firm loans, transfer of intangibles, cost-sharing agreements. But this doesn't mean that these transactions would not be arm's length. This principle is considered a guiding principle in transfer pricing, because provides parity of treatment for MNEs groups, whereas, between enterprises that are parts of the same group, transactions may not be directly determined by market forces, as is the case with transactions between independent enterprises. The main consequence of this situation could be a distortion of income and higher taxes in the jurisdictions of the affiliate enterprises.

To overcome these issues, OECD members agreed to perform a comparability analysis, fundamental for the application of the arm's length principle. The process is based on comparing the conditions of transactions between associated enterprisers (hereinafter controlled transactions) with the conditions of transactions between independent enterprises (hereinafter uncontrolled transactions), to eliminate the differences between controlled and uncontrolled transactions and find the highest degree of comparability.

This analysis is influenced by the availability and reliability of information, as it requires a deep and broad understanding of the MNE group's industry sector and of the dynamics and drivers that impact this sector. Furthermore, an analysis of the MNE group strategies, markets, products, supply chain, functions, assets and risks should be carried out. The goal is to understand the activity of each company within the MNE group analyzed and identify its relations with other affiliates enterprises in order to delineate correctly the

[5] For more information about Transfer Pricing Adjustments, see paragraph 1.3.

transactions. This process aims to identify the economically relevant characteristics of the transactions.

These characteristics are defined in paragraph 1.36 of the OECD guidelines as follows:

- The contractual terms of the transaction (e.g. Payments terms; Transfer Pricing Adjustments[6]; etc.)
- The functions performed by each of the parties to the transaction (e.g. Distribution, Production, etc.) taking into account assets used and risks assumed, including how those functions relate to the wider generation of value by the MNE group to which the parties belong, the circumstances surrounding the transaction, and industry practices;[7]
- The characteristics of property transferred, or services provided. The distinction between services, tangible or intangible property is fundamental. Indeed, some characteristics that must be evaluated are:
    - For tangible property: the physical features, quality, reliability, availability, volume and supply;
    - For Intangible property: the type and form of property, duration and degree of protection and the anticipated benefits from use of the property;
    - For services: nature and extent.

  Anyway, it's more difficult to compare and evaluate services and intangibles than tangible property.
- The economic circumstances of the parties and of the market in which the parties operate (e.g. geographic location, market size, competition etc.);
- The business strategies pursued by the parties (e.g. pricing strategy, positioning, innovation, etc.).

As described before, the erosion of Tax Base and profit shifting to more favorable locations, represents the main concern in developing Transfer Pricing Guidelines. The

[6] For more information about Transfer Pricing Adjustments, see paragraph 1.3.

[7] Functional analysis is addressed by the author. For more information, please refer to paragraph D.1.2 in Chapter 1 of the OECD Transfer Pricing Guidelines 2022.

OECD underlines that these practices cost countries between 100 and 240 billion dollars in tax revenues yearly, equal to 4-10% of global corporate tax revenues. [8]

The term Base Erosion and Profit Shifting (hereinafter BEPS) is used to refer to these "dark" tax practices that affect both advanced and non-advanced economies. Particularly, developed countries deserve more attention, as they are heavily impacted because they are strongly dependent on MNEs foreign investments and corporate income tax.

A mention for the BEPS Action Plan, published by the OECD in 2013. The so-called "BEPS Package" consists of 15 Actions that provide jurisdictions with tools to eliminate tax avoidance practices that exploit existing regulatory gaps to shift profits to low-tax countries.

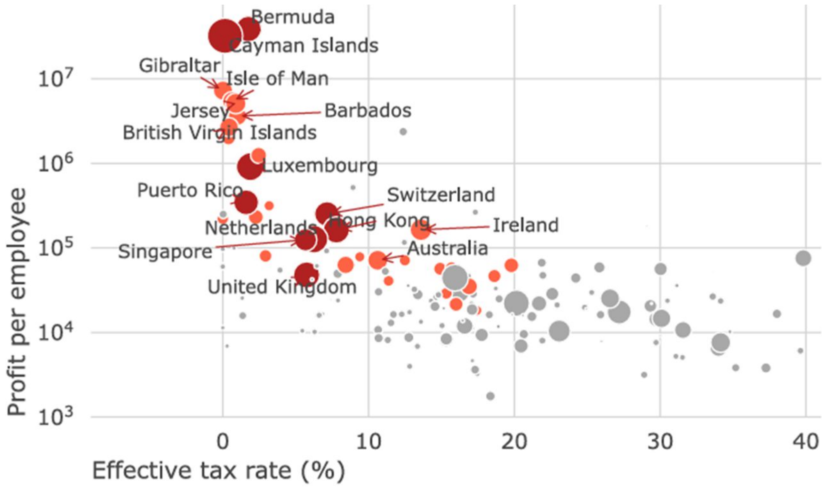
Through the OECD/G20 Inclusive Framework on BEPS, more than 145 countries are working together with the OECD to implement and monitor the application of these 15 actions.

This phenomenon of international profit shifting is widely observed, as supported by empirical evidence. Indeed, according to *Profit Shifting of Multinational Corporations Worldwide* by Javier Garcia-Bernardo and Petr Janský (2024), multinational corporations globally moved profits for more than 850 billion dollars in 2017, mainly to countries with effective tax rates under 10%.

Moreover, MNEs with connections to tax havens have stronger incentives to engage in profit shifting compared to those without such ties. A tax haven can be defined as a country where foreign businesses or investors can pay taxes at a very low rate. This is highly favorable, as it is often accessible without the requirement of residency in these countries and without sharing much information with local tax authorities.

[8] Source: OECD. Base erosion and profit shifting (BEPS). OECD. Retrieved from https://www.oecd.org/en/topics/base-erosion-and-profit-shifting-beps.html

Figure 1.4 - Profit per employee as a function of Effective tax rate using OECD data[9]



For example, it is estimated that British Virgin Islands has about 36.000 residents, with more than 400.000 companies registered and 1.5 trillion of USD in assets. In Luxembourg and Cayman Islands, there are subsidiaries of many Fortune 500 companies.[10]

According to research conducted on MNEs in France by Davies, Martin, Parenti, and Toubal in their paper *"Knocking on Tax Haven's Door: Multinational Firms and Transfer Pricing"*, the tax advantage of the tax haven is clear. Price estimates of intercompany exports to tax haven countries show, on average, an 11% reduction compared to arm's length prices.

The manipulation of transfer pricing not only enables MNEs to reduce their tax liabilities but also introduces various challenges. That's the case of the double taxation of income. In fact, the differing perspectives and regulations across the jurisdictions in which companies operate can lead to subjecting a portion of their profits to taxation in two different countries.

To prevent this and similar phenomena, it is essential to foster international communication and cooperation through conventions and the application of universal principles. These measures help avoid situations that could act as a disincentive to global economic growth.

[9] Source: Garcia-Bernardo & Jansky, Profit shifting of multinational corporations worldwide (2024)
Notes: The graph is helpful in identifying tax haven countries, which are all positioned in the upper left section.

[10] Source: Tax Haven Countries 2025. Available at: https://worldpopulationreview.com/country-rankings/tax-haven-countries

As reported by the Italian Revenue Agency, Italy has around one hundred active Treaties (or "Conventions") aimed at preventing double taxation, as well as tax fraud and avoidance. While there are currently more than 3.000 worldwide, forming a strong regulatory framework that enhances certainty for both taxpayers and tax administrations.

The previously mentioned OECD Model Tax Convention has consistently served as a key reference for tax interpretation and application, offering guidelines adopted by nearly 70 countries.

1.3 Managerial and Performance implications of Transfer Pricing

Since the 1950s, the development of larger and multidivisional companies leads to the rise of decentralized organizations, with decision making that is delegated from top management to divisions, segments or subsidiary managers. As these decentralized units and operations expanded, the need arose to define pricing mechanisms for transactions between different profit centers within the same corporate group (Cook, 1955). In this environment transfer pricing concept was developed for managerial accounting goals. In fact, as will be seen below, transfer pricing impacts every aspect of the managerial functions of MNEs, from the organization of the work to the planning of strategy and evaluation of activities.

Decentralization is the situation in which decision-making is delegated to lower-level managers, at different units or geographical levels in a vertical, and generally not hierarchical, organization structure. Top management had to carefully consider the consequences of their transfer prices choices, as it would significantly impact several business aspects such as financial performances of subsidiaries or intra-firm relationships.

1.3.1 Transfer Pricing: a multi-dynamic internal tool

First, transfer prices represent a strategic tool to reduce costs and risks and achieve competitive advantage for a company in a specific industry or segment. There is a strict relationship between strategy and transfer pricing policy in the administration of a large corporation. The management of transfer price could influence the relationship with the external environment and stakeholders of the firm. For example. Managers’ choices are fundamental in relationships with suppliers, and they can decide to apply internal transfer prices because they prefer divisions to have different prices from the market one to put pressure on external suppliers for the final prices (Arya & Mittendorf, 2010).

Anyway, transfer pricing policy does not always have a positive impact on the MNE's strategy. For example, market expansion initiatives could be slowed due to the lack of flexibility that requires to carefully consider the impact of strategic operations on sales, costs and investments both at general than local level (Cools, 2008).

Transfer price is able to impact on the internal company's dynamics. As companies grow, achieving economies of scope and scale in all their related businesses, responsibility accounting becomes more relevant for the management. This process that provides accounting information to support managers to run the firms, requires a process of segmented reporting. This kind of reporting is developed to understand the contribution of subordinates, in order to increase efficiency, obtain the most relevant information in a short amount of time, and achieve the firm's performance goals.

Moreover, transfer pricing could be seen as a control mechanism tool, and top managers must balance their decisions about the quantity and price of products and goods to avoid decisions that harm the concern of the company as a whole (Horngren et al., 2014). The development of a budget system consistent at each company's level has among its goals to improve transparency and the corporate understanding of the costing structure and its main determinants.

The transfer pricing system must explain the value-creation process of the firm, and the internal and external consequences. The empirical evidence suggests that there is a positive relationship between the level of integration of transfer pricing policy into the management control system and the success of the transfer pricing policy itself implemented within the firm (Cools et al., 2008; Rossing and Rohde, 2010; Hummel et al., 2018).

The determination of transfer prices, how academic studies suggest, isn't only aimed at distributing resources proportionally to profit centers, but it deeply affects their operations, with impacts on purchasing, distribution, production and investments decisions. Furthermore, transfer prices are fundamental devices to shift responsibilities about complex decisions regarding different decision makers (Martini et al. 2007; Nielsen 2008).

1.3.2 Transfer Pricing and Executive Compensation

Another aspect is the one related to performance evaluation. Indeed, the right transfer prices choice is crucial for the comparison between budgeted and actual performance. In addition, it must represent the most appropriate and fair compensation incentives to motivate managers to match their performance with the overall company's one. Anyway, it could be not sufficient to fix a transfer price that is the same for all divisions or profit centers of a company. Indeed, the transfer price that provides the best incentives for upstream divisions could not coincide with the ones for downstream divisions, according to the organizational structure adopted and the goals of the company.

For this purpose, it is complex to determine just one transfer price, and it would be preferred the application of a differentiated price according to the circumstances, allowing to motivate the upstream divisions to improve efficiency, while the downstream divisions are incentivized to focus on orders within the firm to increase their profits (Hirshleifer, 1956). Furthermore, it’s complex for firms establishing a unique transfer price that can simultaneously satisfy internal (decision-making) and external (tax planning) issues. But generally, for simplicity firms use the same transfer price for both purposes.

Anyway, for managers it’s not always easy to understand how transfer prices are determined and, subsequently, how to choose the base of allocation of transfer prices that allow to reach a balance inside the firm. Indeed, it requires to define clearly the marginal cost and other internal elements of costs, which could vary according to changes in business conditions and whose information is not always readily available.

Regarding performance evaluation based on transfer price, generally, there are two types of compensation schemes:

- Competitive compensation scheme that distributes compensation to manager based on the profit of each division,

The changes of transfer price can increase the profit of a division or segment, then reduce the profit of other segments or divisions within a company. In this case, internal prices influence performances of different divisions, pushing profit centers’ managers to prioritize their own division’s goals over the overall firm’s performance.

- Cooperative compensation scheme that distribute compensation to manager based on the firm's overall profit (Chong et al., 2018).

From this point of view there is also an issue focused on short-term profit maximization (competitive compensation) vs long-term value creation (cooperative compensation). (Adams and Drtina, 2008). This happens because the company's results are consultable at the end of each financial year, while division performance would be evaluated periodically, also monthly, with reports and feedback about the main goals and concerns.

Anyway, academic literature suggests other methods to evaluate divisions or profit centers performance. Generally, Economic Value Added (hereinafter EVA) is the most important bonus target. EVA is obtained by adjusting EBIT to measure how much value the company generates beyond the resources invested. Particularly, EVA is a *measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis* (Chen, 2024). These two ratios are considered more reliable because they are calculated internally, without possibility of manipulation by the managers (Cools, 2008). Or, more accurately, they are less manipulable than transfer prices (Cook, 1955).

1.3.3 Cash pooling implications

Transfer pricing also has a relevant impact on group financial decisions and the cash pool. The term cash pool refers to the cash management system applied among multinational enterprises to achieve a more efficient way to allocate the group's liquidity.

According to OECD guidelines, treasury management depends on the MNE group's structure. The more decentralized the group, the more each MNE has its autonomy over its financial management and transactions. This decentralization, however, results in less control over MNE's group transactions, within a centralized treasury managed by a unique company.

Generally, in a cash pooling arrangement, there is a cash pool lender (hereinafter CPL) and its cash pool members (the MNE's group subsidiaries). The CPL manages the centralized account while the cash pool members can either be borrowers or depositors. It works differently from a bank deposit, considering that it could be seen as a shared pool of liquidity.

The treasury function should be aligned with the group strategy, vision and policy defined by MNE's group management.

A cash pool can provide several advantages, such as reducing the MNE's group's reliance on borrowing from banks, optimization of cash return's balance with the mitigation of main risks and the possibility to negotiate better interest rate due to the critical mass (Marie Daño, 2024).

For transfer pricing considerations, it's important to take into account both lenders and borrowers' conditions. Moreover, it's important to consider the potential impact of economic conditions, including macroeconomic circumstances such as changes in credit risks, interest rates and exchange rates. These changes may lead to recharacterization of loans, which affects the transfer pricing policy.

Generally, CPL, in its coordination role, performs low risk and functions. For this purpose, it receives a limited-service fee. In addition, the arrangement provides for the application of arm's length interest rates on both debit and credit positions of cash pool members.

Cash pooling could be structured into physical and notional pooling:

- Physical pooling involves the consolidation of multiple cash accounts into a cash pool, where cash surplus and deficits are transferred between the centralized account and the other accounts. A widespread variant of physical pooling is the zero balance cash pooling. This technique consists of clearing to zero all subsidiaries' accounts at the end of the business day in order to maximize cash flow management and efficiency.
- Notional pooling doesn't involve physical funds transfers between any account. This method makes it even easier and more efficient to manage liquidity by virtually offsetting the balances of the different companies involved (Fiscomania, 2025).

1.4 Transfer Pricing methods

For a long time, taxpayers and authorities have explored how to determine the appropriate level of transfer pricing. Market price is not a suitable reference in contexts other than a perfectly competitive market, where no single company is large enough to influence the price of goods or services. In the absence of such conditions, the proper approach would be to set the transfer price at marginal cost or within a range between marginal cost and market price (Hirshleifer, 1956).

The OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration of January 2022 are very detailed in specifying which methods are accepted by the authorities to determine an arm's length price, highlighting the pros and cons of each one. Anyway, according to OECD, MNEs can apply methods excluded from the ones subsequently listed, but this choice must be supported by a detailed explanation.

Generally, the transfer pricing method chosen should be the most appropriate for each specific situation. Considering the degree of comparability between controlled and uncontrolled transactions it's important to find the most suitable method. If the degree is low this means that the commercial and financial relations of the associated enterprises have conditions that are not arm's length, and the price applied for the controlled transaction should be changed according to the uncontrolled one.

Firstly, there are defined two broad categories of transfer pricing methods:

- Traditional methods, regarded as the most direct methods to verify if associated relations are arm's length. These methods include the comparable uncontrolled price method (hereinafter CUP method), the resale price method and the cost-plus method.
- Transactional methods, focused on the profits generated by transactions between associated enterprises. The transactional profit methods provided by the Guidelines are the transactional split method and the transactional net margin method. A detailed analysis of the profit derived from a transaction could be a relevant indicator of the comparability and the conditions of the enterprises involved.

Comparable Uncontrolled Price (CUP) Method

The CUP method compares the amount charged in a controlled transaction to the one charged in a comparable uncontrolled transaction. This method requires a high degree of comparability, related to the conditions previously mentioned in paragraph 1.2, between the transactions. One example of these differences could be the nature of the business or functions performed by the companies whose transactions are subject to comparison.

When choosing a transfer pricing method, one of the two following conditions must be met:

a) The differences, if exist between the compared transactions, could not materially affect the price in the open market.
b) Adjustments can be performed to eliminate the material effects of these differences.

The CUP method is the most simple and direct way to apply the arm's length principle. Specifically, the CUP method is considered appropriate for a non-competitive market. That's the case of controlled and uncontrolled transactions that have as object the same products, such as commodities, which are physical products with a quoted price used as a reference to determine the price in uncontrolled transactions. By quoted price is meant price obtained by recognized price reporting or applied in exchange markets in a specific pricing date.

The CUP method is considered well suited for transactions that involve intermediates, services or long-term buy and supply arrangements.

Anyway, the relevant economic characteristics of the transactions need to be comparable. Indeed, it is difficult to apply this method because it's not always easy to find comparable transactions that have no differences or few differences without impact on price.

Each transfer pricing method could be calculated through internal or external comparable. In the first case, the price performed by the taxpayer in a controlled transaction could be compared with the one performed by the same taxpayer in a comparable uncontrolled transaction. Secondly, the price applied in a controlled transaction is compared to the one applied in an uncontrolled transaction between independent enterprises.

Guidelines continue providing a simple practical example of CUP method's application. That's the case in which an independent enterprise transfer generic Colombian coffee beans of a similar quality and quantity as those sold in a controlled transaction between associated enterprises. Assuming that the transactions happen under similar conditions, it's important to verify if there are differences related to the sources of coffee beans and if they affect the prices.

Resale Price Method

The Resale price method is calculated starting from the price paid by an independent company to purchase a product from an associated company. This price is reduced by a gross margin to cover the reseller's selling and operating expenses and make a profit. What is left after this subtraction can be considered an arm's length price. This method analyses the distributor's profitability and seems to be the most appropriate for marketing operations.

Compared to the CUP method, the resale price method could be applied when there are various product differences, because it considers the gross margins comparable even for different products. On the condition that tangible goods are involved, since this method is not well suited for services. Furthermore, comparisons are fundamental, and the functions performed also influence the comparison of transactions according to the resale price method. The resale price method could be difficult to apply where the reseller adds value to the products involved in the transaction. In this case, the resale price could be higher than expected. Instead, it's more accurate when the time between the purchase and resale of the goods is short in order to avoid changes in the market conditions.

Another element of variation is introduced by arrangements such as distribution agreements that define the geographic area where the reseller has the right to distribute the goods. It's important to carefully consider every business condition to assess the best comparable transactions.

For example, assume that there are two distributors: Distributor A and Distributor B. The first offers a warranty, not including it in its pricing strategy and selling the product at a higher price, while the second, without warranty, sells at a lower price. In this case an adjustment is needed to overcome these differences.

Cost Plus Method

The cost plus method is calculated starting from the price paid by the supplier for the property subsequently transferred (or service provider) to an associated enterprise. Then a cost plus mark-up is added to this cost to make a reasonable profit. This method is similar to the Resale Price Method but considering the point of view of a manufacturer and not a distributor.

This method is considered more appropriate when the transaction involves semi finished goods, when there are agreements between associated companies. Even in this case it's possible to distinguish between an internal and external comparison.

The cost plus method presents some problems in the determination of costs. Indeed, it's not always easy to determine and identify the link between the level of costs and a given market price for a given period of time. In addition, differences between the mark up in controlled and uncontrolled transactions might impact the comparison and require some significant adjustments. For this purpose, the Guidelines suggest considering the differences in the level and types of expenses involved in the transactions. Three aspects should be considered:

- If expenses are representative of a functional difference not previously considered in applying the method, an adjustment is required.
- If expenses reflect different functions from the activities considered by the method, separate compensation for those functions should be performed.
- If differences in the expenses are related to efficiencies or inefficiencies in the companies, adjustments of the gross margin are not required.

Accounting practices may vary from firm to firm, and this may impact on the application of this method. If they differ between controlled and uncontrolled transactions, adjustments should be made to ensure consistency between costs and related revenues. Furthermore, adjustments could require taking into account certain expenses in the calculation of the method, achieving consistency and comparability. Indeed, different jurisdictions, following different practices, may have different approaches regarding the accounting and consideration of direct and indirect costs in the calculation of the gross margin, representing an additional element of uncertainty related to the cost plus method.

Another allocation issue is related to the costs between suppliers and purchasers. Considering that this method may take into account costs of the supplier of goods or services, in some cases a portion of costs could be borne by the purchaser in order to diminish the cost base on which calculate the supplier's mark up.

The most important aspect is to apply a method that is consistent over time and between the compared transactions. For this purpose, associated enterprises may agree in advance which costs include or not as a basis for the cost plus method.

An example of this is a situation where Company A and Company B, both part of the same MNE group, agree that Company A will conduct contract research on behalf of Company B, which assumes all associated risks. Additionally, Company B retains ownership of all developed intangibles and the resulting profits. The cost-plus mark-up applied should adequately compensate for all research-related costs, reflecting the level of innovation and complexity involved in the research.

Transactional Net Margin Method (TNMM)

The transactional net margin method examines the net profit that a taxpayer realizes from a given transaction with associated firms. This underlines how this method shares similarities to the cost plus and resale price methods. This means that the conditions and consistency that are required to apply the last two methods are the same as required to apply the transactional net margin method. Indeed, these 3 methods are applied to only one of the associated companies. Also, in this case it is possible to distinguish between internal and external comparison.

This method is not appropriate when both parties involved in a transaction makes unique and valuable contributions but may be applicable when one of the parties makes all the valuable contributions. But the lack of valuable and unique contributions in a transaction doesn't mean that the transactional net margin method is the most appropriate one.

Contributions are considered unique and valuable when:

a) They aren't comparable to contributions made by uncontrolled companies in comparable situations
b) They represent a key factor in obtaining actual or potential economic benefits in the business.

This method is characterized by several strengths and weaknesses. First of all, the net profit indicators are less impacted by the differences in transactions related to the price, such as in the CUP method. Indeed, the net margin method may be more sensitive to differences in capacity utilization, particularly related to absorption of fixed costs. Additionally, it's necessary to examine a financial indicator for only one of the associated enterprises, the one with the simpler functional profile, known as tested party. This is very useful when one of the parties involved in a transaction is complex and it's difficult to obtain reliable information.

Anyway, there is an important weakness related to the transactional net margin method, Relevant information about uncontrolled transactions may not be available or accessible by the taxpayers at the same time as the controlled transactions. For this purpose, the reliability of this method could be impacted by many factors that are not related to transfer prices. This happens because net profit indicators can be influenced by the threat of new entrants, threat of substitute products, variable costs, management efficiency and competitive position. Furthermore, it could be not easy to determine adjustments between the parties involved and understand which of the associated companies' profits should be modified.

This method requires to perform a benchmark analysis to verify that the transaction under analysis complies with the arm's length principle. The net profit indicators should be chosen considering the strengths and weaknesses in relation to the most appropriate methods, remembering that consistency is a fundamental factor in selecting the net profit indicator to calculate.

Net profit indicators or profit level indicators (hereinafter PLI) are calculated as the ratio between net profit and a base that is reliable and represents a key element in assessing the contribution and margin of the tested party, such as costs, sales and assets.

According to the Guidelines, only items that are directly or indirectly related to the controlled transaction and that have an operating nature (for example are excluded interest incomes and expenses and income taxes) should be considered calculating the net profit indicator. This requires a segmentation of the tested party's financial data to perform the most reliable analysis. Anyway, there could be some issues related to the inclusion of some items in the calculation related to different account systems that companies follow.

This method could be suitable for transactions of intra-group services, such as contract research and development arrangements.

Transactional Profit Split Method (TPSM)

Finally, the transactional profit split method is focused on the profits (or losses) to be split from the controlled transactions between the associated companies, based on economically valid ratios that approximate the division of profits in an uncontrolled transaction.

That's the most appropriate method when both the parties involved in a transaction make unique and valuable contributions. Anyway, it's difficult to evaluate these contributions due to the lack of reliable comparable information. In these cases, the profits are allocated based on the contributions made by associated companies.

The transactional profit split method can be the best solution also for highly integrated operations. Furthermore, it's a flexible method that allows to take into account facts that could not exist for independent enterprises. Obviously associated companies that are part of MNE groups are integrated. But a high degree of integration means that in the analyzed transaction the parties involved are interlinked considering their functions, assets and risks. For example, the transactional profit split method could be applied to associate enterprises that trade financial instruments worldwide.

In addition, this method permits to analyze all relevant parties of the transaction, identifying their structures and contributions in the transaction to determine the best possible compensation.

Anyway, this method is the last considered by OECD, as it relies less on the direct comparison of comparable transactions . It's difficult to apply because it requires detailed information related to revenues and costs of the associated enterprises. First, it's difficult to determine the profit splitting factors and operating expenses that are relevant for the analyzed transactions, because that would mean analyzing companies' books and records with common criteria, adjusting accounting practices and currencies involved.

The criteria chosen to split the profits should be:

- Based on objective data, not relating to ratios that could be manipulated or the controlled transactions
- Verifiable
- Supported by internal and external data.

The factor can be a fixed percentage (e.g. 50%-50% based on a similar split of independent companies in comparable transactions) or variable (e.g. relative value of marketing contributions).

Furthermore, the profit splitting factors could be based on assets, capital or costs, depending on what is judged most appropriate to consider in the specific situation. In any case, other factors can be used, subject to conditions that meet the previously listed criteria.

Another widespread opinion is that transactional profit split method is rarely applied by independent enterprises, and this means that it's difficult to find uncontrolled transactions to compare with the controlled ones. However, this is not actually a concern, as transfer pricing methods are not meant to replicate the arm's length principle but rather to serve as a tool for verifying arm's length outputs in controlled transactions.

Finally, in order to simplify the understanding and distinction of the previously described methods, the following is a table showing the description, use cases, pros and cons of each transfer pricing method.

Table 1.1 - Summary of OECD Transfer Pricing Methods

Method	Description	Use Cases	Pros	Cons	Best Suited for
Comparable Uncontrolled Price (CUP)	Compaison between a controlled transaction and a comparable uncontrolled one.	Commodities, identical goods/services,	Most direct method; strong theoretical foundation.	Hard to find identical transactions	Commodities, trading, raw materials.
Resale Price Method (RPM)	Resale price - gross margin.	Distribution and marketing of finished goods.	Allows for certain product differences	Less accurate if the reseller adds value; affected by market timing.	Consumer goods, electronics distribution, retail.
Cost Plus Method (CPM)	Cost of production or service + mark-up	Manufacturing of semi-finished goods.	Good for contract manufacturing; reflects supplier's view.	Cost determination is hard; different accounting practices.	Manufacturing, contract R&D, industrial production.
Transactional Net Margin Method (TNMM)	Analyzes net profit relative to costs, sales or assets.	Routine functions, especially when one party has unique contributions.	Less sensitive to price differences	Market factors affect net profit	Shared services, support functions, IT services.
Transactional Profit Split Method (TPSM)	Splits profit based on economic contributions.	Highly integrated operations: both parties contribute uniquely.	Reflects real economic contributions.	Requires detailed and comparable data	Banking, insurance, R&D, digital platforms.

Source: The author, based on OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, 2022

1.5 Transfer Pricing documentation and Adjustments

As reported at page 99, paragraph 2.22 of OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration of January 2022, "*In order to assist tax administrations in conducting an informed examination of the taxpayer's transfer pricing practices, taxpayers should provide reliable evidence and document, as part of their transfer pricing documentation, the price-setting policy for commodity transactions, the information needed to justify price adjustments based on the comparable uncontrolled transactions or comparable uncontrolled arrangements represented by the quoted price and any other relevant information, such as pricing formulas used, third party end-customer agreements, premia or discounts applied, pricing date, supply chain information, and information prepared for non-tax purposes.*"

As previously mentioned, Tax evasion, and the choice of inappropriate transfer pricing method could give rise to adjustments at the end of the year by tax authorities. Furthermore, wrong, missing or incomplete documentation about transfer pricing policies adopted internally by MNEs can lead to heavy penalties in different jurisdictions. It's important to document all calculations and data and justify each significant element to prove the good faith of the taxpayer.

In its 2024 report *"How do you drive transfer pricing certainty in uncertain times?"*, EY highlighted that in 2022, MNEs spent an average of 31.8 million dollars on transfer pricing penalties, legal fees, and litigation.

The transfer pricing documentation required vary from jurisdiction to jurisdiction, but as a matter of simplification, it is appropriate to give an example with the Italian case. First, one of the BEPS Program actions requires the development of transfer pricing documentation through a Country-by-Country report, with indications of the activity performed in each country, with focus on the determination of elements such as the revenues and costs.

Generally, penalties related to transfer pricing adjustments represent a high percentage of unpaid taxes or of the adjustment, plus an interest for the late payment. For example, in Italy, penalty consists of an amount between 90% and 180% of the additional tax.

But some countries permit to reduce this amount if sufficient documentation is developed. Still in Italy, the Italian Revenue Agency's Circular No. 15/E of November 26, 2021, implemented the Ministerial Decree of May 14, 2018, aligning them with OECD standards. The Italian legislation confirmed its position, not imposing to the taxpayers to prepare the Master File (with information about the MNE's group), Local File (with information about the local associated company) and National Documentation (with information related to specific intra-group transactions between an associated local company and the associated foreign companies). Anyway, it's considered mandatory their predisposition to enjoy the "penalty protection", in the event of audits and subsequent adjustments by tax authorities.

Looking at practical examples from a broader perspective, the largest transfer pricing disputes in Internal Revenue Service (IRS) history happened in 2006, with GlaxoSmithKline, a pharmaceutical company, that agreed to a 3.4 billion dollars settlement, including interest, to resolve transfer pricing issues related to its "historical"products.

In the European Union, the most known case involved Apple and Ireland, began in 2013. Apple booked 90 per cent of the company's non-US sales, to benefit from a very low tax rate. The penalty amount required, equal to 13 billion Euro, including interest, is the largest ever charged in the EU. [11]

A model simulation developed by Lohse Theresa e Riedel Nadine in the paper "Do Transfer Pricing Laws Limit International Income Shifting? Evidence from European Multinationals" (2013), shows that transfer pricing penalties and tighten requirements and regulations lead to a reduction in income shifting behaviour of around 50%.

With stricter documentation requirements, global companies increasingly seek advice from tax professionals that can support them in transfer pricing planning. Their support includes mitigating audit risks, preparing detailed documentation on intra-firm relationships, implementing internal policies, procedures, monitoring and control systems and solving disputes with tax authorities. Additionally, they support companies

[11] Source: The Times, Khan Mehreen, September 2024, "How EU forced Ireland and Apple into a 13 billion of euro tax defeat". https://www.thetimes.com/business-money/technology/article/how-brussels-forced-ireland-and-apple-into-a-13bn-tax-defeat-sl7hvzsss?utm_&region=global.

during litigations and negotiations, such as in the case of Advance Pricing Agreements (APAs). (Holtzman, Nagel, 2014)

APAs are contracts between the tax authorities and the taxpayer that allow to solve actual or potential transfer pricing adjustments and litigations setting the characteristics of controlled transactions in advance. It's a useful tool because avoid adjustments ex-posts helping companies to have better tax planning. These practices are fundamental against the double taxation's risk, improving the relationship between companies and the jurisdictions in which they operate. APAs could be unilateral, bilateral or multilateral, with greater effectiveness in the last two cases.

1.6 AI potential and limitations for Transfer Pricing

The launch of Chat GPT, a Generative artificial intelligence (hereinafter GenAI) tool, marked a milestone breakthrough deeply impacting everyday life of people. "*GenAI describes algorithms that can be used to create new content, including audio, code, images, text, simulations, and videos. Recent breakthroughs in the field have the potential to drastically change the way we approach content creation*" (McKinsey & Company, 2024). This would be enough to understand the potential of this new technology. Moreover, several startups and big tech, such as Apple, Google and Nvidia, are increasing their investments in the AI field, fighting to develop the most advanced and accurate product possible.

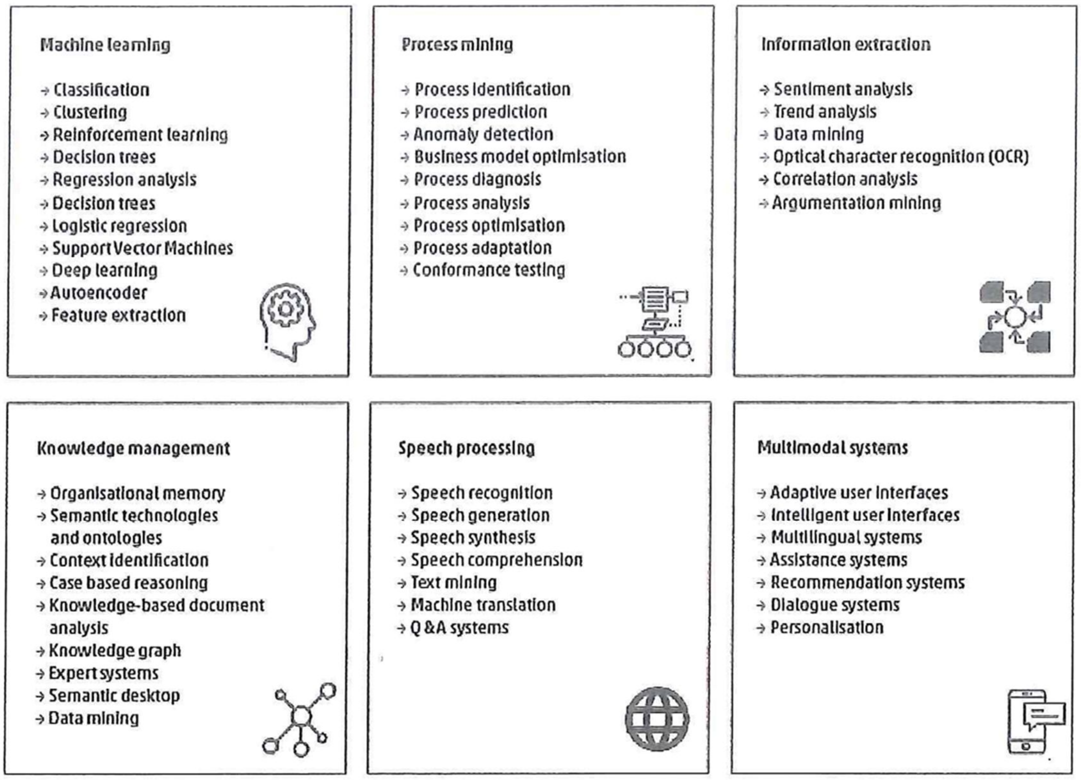
One of the major benefits of AI is the large quantity of data that it could provide to the public. For tax departments, Ai tools could be very useful to simplify mechanical tasks and reduce human error. Moreover, transfer pricing is the unique tax element that requires different kinds of financial and non-financial data from different sources. It combines corporate finance, accounting, and business knowledge and strategies. AI tools can deeply impact MNEs tax planning, facilitating transfer pricing audits, mutual agreements and litigations.

Indeed, AI tools can help transfer pricing professionals in their everyday operations, automating routine tasks, reports review, extraction of client data and predicting outcomes and patterns. Furthermore, AI integration can categorize and compare contracts and transactions, implement benchmarking, solve customers' doubts on tax rates, deadlines and thresholds in different jurisdictions. Finally, AI can help with the translation of transfer prices' texts and guidelines.

However, tax authorities can access data that taxpayers don't have, leading to a detailed analysis of MNEs groups structures and transactions. For example, they cannot only access financial statements and transfer price documentation, but also employees' wages, customer data, payments methods, and more reserved reports. IRS, Australian, Austrian and French authorities are just few national tax authorities to use AI. (KPMG, 2024)

The final goal of AI implementation is not just to achieve a standardization of documentation and tax practices but an automation of the whole processes and systems to increase efficiency.

Figure 1.5 - Overview of potential AI technologies for the tax area[12]



Anyway, AI cannot replace human expertise in transfer pricing. In more complex transactions (e.g. the ones involving intangibles assets), businesses or litigations, human consulting remains fundamental. Furthermore, a highly efficient AI tool requires the

[12] Source: Artificial Intelligence in Transfer Pricing Application Possibilities of TP Tools - Practitionr Perspective by Maik Heggmair & Birgit Friederike Makowsk (2018)

provision of quality data, a constant development to be aligned with the dynamic and changing business environment and with the company's goals.

The process of AI implementation requires initial training, similar to onboarding a new member, and ensuring that it is used appropriately considering the sensitive nature of the data collected into such programs. Additionally, as there is in the early stages of this technology's development, it may encounter issues with managing large amounts of data or producing inaccurate or false information. These factors necessitate a further control of AI operations, which, however, leads to a waste of time. contradicting the ultimate goal.

For these reasons, such a large investment requires the development of clear guidelines for AI tool usage, as well as employee training on its proper use, to ensure transparency and consistency, two key concepts in transfer pricing practices.

Two case studies, provided in Basharat's 2024 book "The role of AI in Transfer Pricing: Transforming Global Taxation Processes" show how AI-driven solutions can be implemented by MNEs in transfer pricing practices. For example, a global pharmaceutical firm automates the identification of comparable transactions in benchmarking, improving accuracy and reducing the time required to perform that analysis. In addition, a multinational consumer goods manufacturer used AI tools to implement its transfer pricing policy, identifying risks related to its transactions in order to prevent adjustments and avoid penalties or litigations. The implementation of AI appears to be shaping a new regulatory framework, significantly transforming the approaches of both taxpayers and tax authorities to transfer pricing, particularly in terms of flexibility and transparency.

Chapter 2: Research methodology

This study identifies two distinct categories of data, derived both from the existing literature and from the field experience, each investigated through a dedicated research methodology, as detailed below:

- **Literature Selection Methodology:** The first methodological step consists in the selection of the first category of data, papers and documents considered relevant for the objectives of this study. This represents the most "theoretical" part of the research. This phase is meant to emphasize how a seemingly trivial step as the choice of theoretical papers is not a result of a random or superficial search, but rather the result of a structured and rigorous process. This step is fundamental because it provides the foundation for the second - empirical - phase of the study.
- **Empirical Research Methodology:** The second methodological step involves the collection of qualitative data, offering more "practical," real-world insights through the participation of transfer pricing professionals. These professionals' interviews insights are supported and enriched by a case study, based on anonymized transfer pricing documentation prepared by professionals. The development of a similar approach can enhance the understanding of the topics addressed and contributes to the ongoing evolution of transfer pricing practices. Finally, the same data set is employed to explore an emerging issue, the comparison of human analysis with that supported by AI.

2.1 Literature Selection Methodology

As mentioned before, this section outlines the methodology adopted for the selection of academic literature relevant to the objectives of this study. The following subsections provide a detailed explanation of the process, presenting: (i) the structure of the paper selection methodology, (ii) the results of the selection process, and (iii) the classification of the selected papers.

2.1.1 Papers' selection methodology structure

This paper adopts a literature review based on the PRISMA Methodology. *Preferred Reporting Items for Systematic reviews and Meta-Analyses* process, of which the acronym is PRISMA, was developed by a group of 29 researchers in 2005, as explained on the

PRISMA official website.[13] This methodology consists of 27-item checklist and a diagram of 4 phases, to ensure a transparent and efficient reporting system of data. This statement is applicable to each research to verify the quality of systemic reviews and meta-analysis.

This study examines the following research question:

- How Transfer Pricing professionals implement strategies in real-world corporate environments?

A first analysis was conducted to develop the literature review, making it complete and trustworthy. Using the database provided by Google, Google Scholar, it was possible to find relevant contributions. Through several search keys it was possible to cover all significant aspects of the theoretical background about transfer pricing.

The selection process was conducted by the author using the simplified PRISMA framework, chosen for its widespread adoption and reliability, particularly in critical fields such as healthcare interventions. The process was structured into three distinct steps:

1. Identification of papers that contain the required words and could represent a reliable baseline.
2. Screening of the selected papers in order to exclude from the sample the ones that are considered off-topic.
3. Inclusion in the sample of papers that have passed the screening phase.

The selected search keys were "Multinational Transfer price"; "Transfer Pricing impact" and "Transfer Pricing documentation," as they are best suited to identifying analyses of the elements affected by transfer pricing and their positive and negative consequences. Additionally, the focus on documentation aligns closely with the work of tax professionals in the field. The search was conducted without applying filters about the year of publication of the literature and preferring "sort by relevance" rather than "sort by date". Given the large number of papers found, for simplicity it was considered appropriate to select only papers from the first 4 pages.

This analysis led to 150 contributions with the search keys in the title, abstract or keywords. Moreover, a backward and forward citation search was performed of the

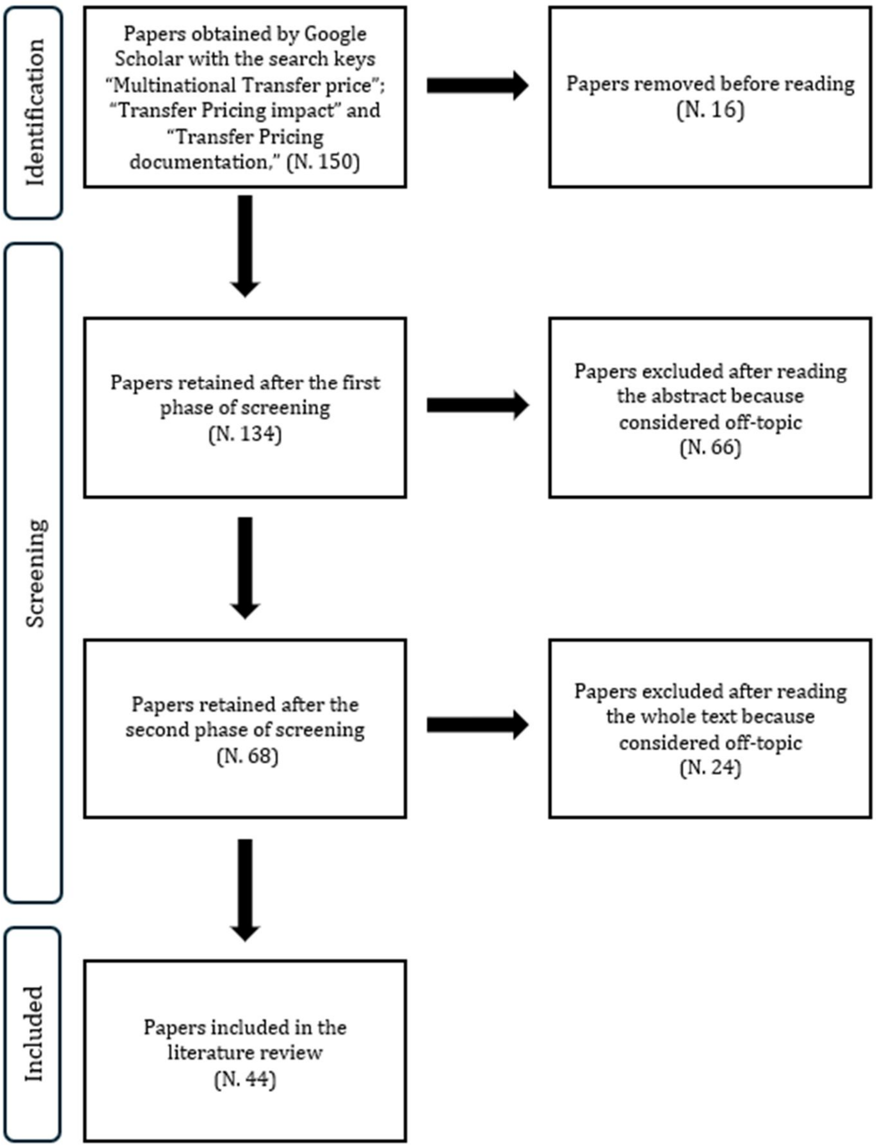
[13] Website available at: https://www.prisma-statement.org/history-and-development?utm

accepted papers, to find cited papers useful for the study. Unfortunately, this analysis let to the exclusion of some papers due to because they are not freely available for consultation or not available in Italian or English.

These final 134 papers were subjected to a preliminary analysis based on reading the abstract to assess its appropriateness. This analysis led to the elimination of 66 papers, because considered off-topic. Finally, after reading the whole paper, 24 papers were excluded, leading to 44 papers accepted.

Below, Figure 2.1.1 reports the papers' selection process followed:

Figure 2.1 - Process of papers' selection process following the PRISMA methodology



Source: The author, inspired by Neli Capatina-Verdes, 2022

Finally, for some specific topics, such as tax havens, the impact of AI on transfer pricing and regulatory line guides, more specific searches were performed, as sufficient contributions were not identified through generic search keys initially used. The papers and online articles thus obtained are not included in the number of papers accepted under the PRISMA methodology.

2.1.2 Papers' selection methodology results

To simplify the consultation procedure, a spread sheet was prepared containing an analysis with all the literature found. This analysis was conducted by constructing a table, characterized by 5 dimensions (columns) for each paper (rows): title, authors, year of publication, and abstract. However, another crucial element is the thematic category of the abstract. These categories reflect the core topics addressed by literature and allow classification based on relevance of content. These thematic categories have played a key role in the analysis of literature, helping to identify recurring themes and evaluate their connection and consistency. By organizing these topics systematically, it becomes easier to classify the papers and make them easier to browse. The 4 thematic categories are as follows:

1. Performance management and strategic impact, focusing on the relationship between transfer pricing and corporate management.
2. Tax compliance and regulatory framework, addressing tax compliance requirements and legal frameworks developments,
3. Globalization and international issues, analyzing the influence of globalization on transfer pricing policies.
4. Transfer pricing practices and approaches, focusing on the practical methods and processes adopted by companies to implement transfer pricing policies.

In the tables below, the papers are classified based on the main topics identified in their abstracts. However, the full abstract for each paper can be found by consulting the references section at the end of this thesis:

Table 2.1 - Accepted papers: Performance Management and Strategic Impact (PM & SI)

Title	Authors	Year
DECENTRALIZATION AND THE TRANSFER PRICE PROBLEM	Paul Cook	1955
Transfer Pricing as a Strategic Device for Decentralized Multinationals	Schjelderup, G., and L. Sørgard,	1997
Management control in the transfer pricing tax compliant multinational enterprise.	Cools M, Emmanuel C, Jorissen A.	2008
Transfer Pricing for aligning divisional and corporate decisions.	Adams, L., & Drina, R.	2008
Multinational transfer pricing: A transaction cost and resource based view	Mark Cecchini, Robert Leitch, Caroline Strobel	2013
The Impact of Transfer Pricing on Financial Reporting: A Nigerian Study	Adum Ovunda and Smith	2015
The Interaction of Managerial and Tax Transfer Pricing	Shannon Anderson, Bin Zhou, Rand Ghayad and Michael Cragg	2016
Transfer pricing and its effect on financial reporting: A theoretical analysis of global tax in multinational companies.	Hassnain, R. T., Hakeem, H. F., & Yassir, N. M	2017
Performance Measurement in Transfer Pricing Practice	Hartono,Suardi Tanasal,Marselinus Asri	2018
Can the Integration of a Tax Compliant Transfer Pricing System into the Management Control System Be Successful? Yes, It Can!	Katrin Hummel, Dieter Pfaff and Benedikt Bisig	2018
The Neglected Focus on Managerial Aspect of Transfer Pricing Policy in Multidivisional Companies—Case of Serbia	Jelena Demko-Rihter, Vojislav Sekerez , Dejan Spasi´ andNevenaConi´	2023
The effect of practicing transfer pricing and financial performance: Evidence from multinational corporations in the UAE	Yousef Shahwan	2024
Transfer pricing: Not just for the tax department	Steven C. Wrappe, J.D., LL.M.	2025
The Future of Transfer Pricing A Call to Action for CFOs	Scott Watson, Joshua Rothkugel, Jack Collins	2025

Table 2.2 - Accepted papers: Tax Compliance and Regulatory Framework (TC & RF)

Title	Authors	Year
The dark side of transfer pricing: Its role in tax avoidance and wealth retentiveness	Prem Sikka, Hugh Willmott	2010
The Increasing Importance of Transfer Pricing Regulations – a Worldwide Overview	Lohse, T., N., Riedel, and C. Spengel	2012
Do Transfer Pricing Laws Limit International Income Shifting? Evidence from European Multinationals	"Theresa Lohse and Nadine Riedel	2013
Abusive Transfer Pricing and Economic Activity	Søren Bo Nielsen, Dirk Schindler, Guttorm Schjelderup	2014
Profit shifting: drivers of transfer (mis)pricing and the potential of countermeasures	Sebastian Beer and Jan Loeprick	2014
Knocking on Tax Haven's Door: Multinational Firms and Transfer Pricing	Ronald B. Davies, Julien Martin Mathieu Parenti Farid Toubal	2014
At a Cost: The Real Effects of Transfer Pricing Regulations	Ruud de Mooij · Li Liu	2020
Transfer pricing regulation and tax competition	Jay Pil Choia,TaijiFurusawab, Jota Ishikawa	2020
The Global Minimum Tax under Pillar II: An economic analysis of the firms' behavioural responses and revenue effects in developed and developing countries	Richard Looije	2023
Transfer pricing practices in multinational corporations and their effects on developing countries' tax revenue: a systematic literature review	Akash Kalra and Munshi Naser Ibne Afzal	2023
IL TRANSFER PRICING: DALLA LINEE GUIDA OCSE ALLA NORMATIVA CONVENZIONALE E NAZIONALE NELL'ESPERIENZA ITALIANA E SAMMARINESE	Dott. Matteo Veronesi	2023

Table 2.3 - Accepted papers: Globalization and International Issues (G&I)

Title	Authors	Year
TAXES, TARIFFS AND TRANSFER PRICING IN MULTINATIONAL CORPORATE DECISION MAKING	Harry Grubert and John Mutt	1991
The Impact of Transfer Pricing on Intrafirm Trade	Kimberly A. Clausing	2000
Globalization Impact on Multinational Enterprises	Justine Kyove, Katerina Streltsova, Ufuoma Odibo and Giuseppe T. Cirella	2021
A Comparative Study of International Transfer Pricing: Italy and Japan	Bussoletti Lolita	2022

Table 2.4 - Accepted papers: Transfer Pricing Practices and Approaches (TPP)

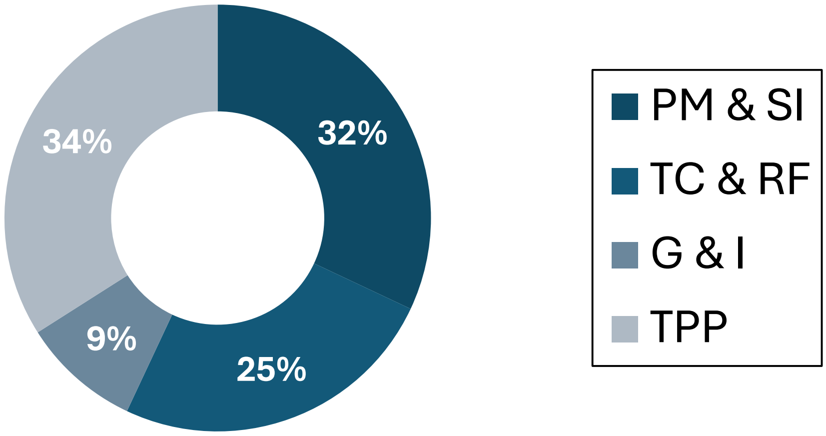
Title	Authors	Year
ON THE ECONOMICS OF TRANSFER PRICING	Jack Hirshleifer	1956
2007–2008 Global Transfer Pricing Survey	EY	2008
International transfer pricing: A review of non-tax outlook	Shantanu J Pendse	2012
An introduction to transfer pricing	Yair Holtzman, Paul Nagel	2014
Transfer Pricing Challenges in the Cloud	ORLY MAZUR	2016
Transfer Pricing: Strategies, Practices, and Tax Minimization*	KENNETH J. KLASSEN	2017

TRANSFER PRICING A REVIEW OF LITERATURE	Dr. Subha Kant Padhi	2019
TRANSFER PRICING METHODS FOR SERVICES AND THE POLICY OF FIXED LENGTH PRINCIPLE	Constantinos CHALLOUMIS	2019
Valutazione dei beni immateriali e Transfer Pricing	Antonio Barbera	2019
What do we know about transfer pricing? Insights from bibliometric analysis	Satish Kumar, Neeraj Pandey, Weng Marc Lim, Akash Nil Chatterjee, Nitesh Pandey	2021
Transfer Pricing and Related Party Transactions: A Bibliometric Analysis	Neli Capatina-Verdes	2022
EY Worldwide Transfer Pricing Reference Guide	EY	2023
Profit shifting of multinational corporations worldwide	Javier Garcia-Bernardo, Petr Janský	2024
How do you drive transfer pricing certainty in uncertain times?	EY	2024
Transfer Pricing: Linee guida OCSE, comparabilità e determinazione del prezzo	Massimo Del Gatto	>2010

Source: The author, based on paragraph 2.1 Literature Selection Methodology

The quantity of papers from different categories is sufficient to analyze each topic in depth, although there is clearly a greater presence of documentation regarding the categories of Performance Management and Strategic Impact and Transfer Pricing Practices and Approaches. Evidence of the share of each topic in the total papers is given by the following graph:

Figure 2.2 - Percentage share of accepted papers' categories



Source: The author, based on Tables 2.1, 2.2, 2.3, 2.4

Transfer Pricing Practices and Approaches and Performance Management and Strategic Impact together represent 66 percent of the literature consulted, while Globalization and International Issues cover only 9 percent, considering the difficulty in finding documentation that persists over time, given the dynamic nature of the subject matter.

2.1.3 Papers 'results classification

The results provided provide an opportunity for further analysis regarding the population of accepted items, allowing for a deeper exploration of the factors influencing their acceptance. This includes examining the variables that could help identify potential patterns or trends and give insights into the decision-making process and refine the evaluation framework that could represent a starting point for improved outcomes of future research.

For this purpose, further classification of accepted papers according to different criteria is performed in the table below.

Table 2.5 - Analysis of accepted papers' insights

Dimension	Variables	N° Papers	% on total
Knowledge Sources		**44**	**100%**
	Academic Research Papers	28	63,6%
	Industry Reports	4	9,1%
	Government & Institutional Reports	1	2,3%
	Technical & Professional Articles	11	25%
Year of Publication		**44**	**100%**
	Before 1980	2	4,5%
	1981-2000	3	6,9%
	2001-2010	4	9,1%
	2011-2020	21	47,7%
	2021-2025	14	31,8%
Research location		**44**	**100%**
	Identifiable	21	47,7%
	Unidentifiable	23	52,3%
	Europe	8	18,2%
	Asia	2	4,5%
	America	5	11,4%
	Africa	2	4,5%
	Global	4	9.1%
Research method		**44**	**100%**
	Case study	5	11,4%
	Regulatory Analysis	10	22.7%
	Literature review	9	20,4%
	Empirical Study	20	45,5%
Research implications		**44**	**100%**
	Yes	35	79,5%
	No	9	20,5%
	Theoretical implications	12	27,3%
	Managerial implications	14	31,8%
	Policy implications	9	20,4%
Paper's approach		**44**	**100%**
	Positive aspects of Transfer price	17	38,6%
	Negative aspects of Transfer price	12	27,3%
	Balanced approach	15	34,1%
Transfer Pricing main element		**44**	**100%**
	Comparability analysis and Benchmark	17	38,6%
	APAs	6	13,6%
	Documentation and compliance	16	36,4%
	Adjustments	5	11,4%

Source: The author, based on Tables 2.1, 2.2, 2.3, 2.4

Based on these results, it's possible to obtain further insights useful to understand the features and development of papers considered suitable for this research:

-63,6% of papers are Academic Research Papers, this means that the selected sources are based on studies that go through several rounds of reviews, ensuring that the papers meet given requirements of quality and reliability. Furthermore, research papers are more focused on theoretical aspects than institutional reports through multidisciplinary analysis.

-47.7% of papers were published between 2011 and 2020, and 31,8% between 2021 and 2025. This data underlines the relevance that this topic has acquired over the last 15 years with more areas covered by a growing number of papers and research.

-The study's research location is unidentifiable for more than half of the papers (52,3%). Anyway, most papers considered identifiable geographically are developed in Europe and North America, highlighting the relevance that these countries have on MNEs dynamics and both local than foreign business activities.

-45,5% of papers follow an empirical study approach, based for example on data collected through companies' data, interviews, surveys and simulation and mathematical models. These approaches rely directly or indirectly on observation and experience based on collecting and test data on hypotheses rather than relying on theoretical analysis. This shows how the papers selected are studies that want to give important contributions to the transfer pricing literature.

-Regarding research implications of the papers, most are considered to have implications for future research (79,5%). Most implications are related to the managerial field, followed by the theoretical one. This could suggest how these studies should represent a starting point to develop business strategies and processes that could exploit the transfer pricing system, more than theoretical or policy ones.

-Furthermore, 38,6% of papers are considered to have a positive approach to transfer pricing impacts, underlying that they are not only seen as relevant for tax compliance purposes, but there are subjects to study all the dynamics that transfer pricing impacts, to exploit it and fully understand its potential for business.

-Finally, 38,6% of papers focused on comparability analysis and benchmarking, followed by documentation and compliance (36,4%). These two results emphasize the relevance that the arrangement of detailed and fair documentation, with a fair analysis at the base, still represents a critical concern for MNEs groups that require the help of tax professionals and consultants.

2.2 Empirical Research Methodology

This section presents the empirical research methodology employed to gather practical insights from professionals and explore the application of AI in qualitative analysis. The following subsections provide a detailed account of: (i) the data collection process through professionals' interviews, (ii) the case study analysis of transfer pricing documentation, and (iii) the comparative analysis between human and AI-supported approaches.

2.2.1 Professionals' Interview Data Collection Process

The second selection follows a qualitative approach based on real-world data. The process took place through interviews with 5 tax professionals in managerial roles at the same company, a leading consulting firm. Due to the extensive experience the interviewees have gained over years of working in transfer pricing consulting, their insights provide a deeper understanding of the most recurring practices, key determinants, the relationship between compliance and performance, and the impact of regulatory and technological developments on tax consultants.

The question set includes 13 open questions grouped into 5 categories. These 5 categories were chosen on the basis of the macro-areas considered representative of the various relevant aspects of transfer pricing, consistent with what was discussed in Chapter 1. The categories are expressed below:

- **Transfer Pricing Strategies and decision-making**, useful to understand the decision-making process behind transfer pricing methods and their application. Reveals corporate priorities and how their perception changes accordingly to their beliefs and to the global economic challenges. Finally, it shows how professionals collaborate with financial teams to integrate transfer pricing with broader business strategies.
- **Financial Performance** concerns how transfer pricing decisions influence MNEs financial performance and profitability. Furthermore, this section explores how companies of different sizes and structures can balance these two requirements, along with internal dynamics of performance compensation.

- **Technological impact** investigates the role of AI and technology in Transfer Pricing strategies, examining how emerging technologies may evolve within a dynamic regulatory environment and their impact on the future role of transfer pricing professionals. Additionally, this section aims to identify the most promising trends and innovations that could shape the field in the coming years.
- **Transfer Pricing Documentation** emphasizes the role of compliance between taxpayers and regulatory frameworks by analyzing the most common and complex practices and challenges in developing documentation.
- **Impact of OECD Guidelines and Compliance** examines how MNEs groups deal with continuously evolving international regulations. Moreover, the questions explore how transfer pricing professionals mitigate risks, especially in areas of regulatory uncertainty, identifying gaps between theoretical and real-world applications.

Having carefully defined the categories, the list of selected questions is presented below:

- *Transfer pricing strategies and decision making*

1. What are the most common misconceptions companies have about transfer pricing when do they turn to transfer pricing professionals?
2. What are the main factors that influence the choice of transfer pricing method in a company? And the most common trade-offs they face?
3. How do transfer pricing professionals collaborate with company representatives and CFOs to align transfer pricing strategies with overall corporate financial goals?
4. How do geopolitical factors (e.g., trade tensions, tariffs) influence transfer pricing strategies?

- *Financial Performance*

5. How is transfer pricing linked to performance-based executive compensation? Does transfer pricing have a huge impact internally in large companies with several divisions?
6. How do companies balance financial performance objectives with transfer pricing compliance, and what role do profitability indicators play?
7. Have you observed significant differences in transfer pricing strategies between private and publicly traded companies?

- *Technological impact*

8. How has digitalization and automation impacted your day-to-day work in transfer pricing? How are skillsets changing?
9. Do you believe that transfer pricing will be more automated in the future, or will regulations become even more complex?

- *Transfer Pricing Documentation*

10. What are the most resource-intensive aspects of transfer pricing documentation, and how do companies optimize their documentation processes?
11. What are the main obstacles in implementing a consistent transfer pricing policy across different jurisdictions? How do multinationals manage transfer pricing in context of regulatory uncertainty or frequent legislative updates?

- *Impact of OECD Guidelines and Compliance*

12. What are the most critical areas to monitor to avoid disputes with tax authorities? In which areas do tax authorities focus on their transfer pricing audits?
13. Based on your experience, where do theoretical Transfer Pricing principles (OECD guidelines) fail to address real-world challenges in multinational operations?

These questions serve as the foundation for the coding process, whose key findings and features are presented in the following chapter.

2.2.2 Case Study Analysis of transfer pricing documentation

As part of the empirical component of this study, a real-world transfer pricing documentation was made available for analysis. For confidentiality reasons, the document refers to a fictitious company. It concerns Alpha S.p.A.'s 2023 Italian National Documentation and is partially reproduced in Appendix A, Alpha S.p.A. is the parent company of an MNE group. The group is engaged in the production and distributions of automotive components. Its inclusion serves to offer a concrete example of how transfer pricing documentation is structured in professional practice. The purpose of this case study is to support the qualitative findings derived from professionals' interviews and to illustrate the practical application of transfer pricing guidelines and principles in a corporate setting. A detailed insight into the document's content and its implications is provided in Chapter 4.

The case study structure is the following:

Chapter 2 introduces intracompany transactions of Alpha group, separated into an active operation (2.1), concerning the transfer of finished products from Alpha S.p.A. to Alpha GmbH, the German subsidiary, while the passive operation (2.2) concerns a fee that Alpha S.p.A. pays to Alpha GmbH for several services provided to the parent company.

The subsequent section entails a comprehensive delineation of transaction 2.1., from functional and assets analysis to the results related to the arm's length range.

Finally, in paragraph 3.3, a detail of the benchmark analysis is provided with financial data of comparable companies.

2.2.3 Comparative Analysis: Human vs. AI-supported approaches

Through a comparative analysis of human interpretation and AI-supported processing of qualitative data collected from interviews with transfer pricing professionals, the recent development and ongoing evolution of technological tools to support the professional activities can be addressed. With the increasing integration of AI into professional, analytical, and advisory workflows, it is critical to assess their ability not only to replicate human reasoning, but also to enhance it and, in some cases, to surpass it. This part of the research investigates how AI can contribute to the analysis of complex tax content, particularly in the context of transfer pricing, offering faster, resource-efficient and potentially more objective results. The comparison aims to highlight methodological differences between human expertise and automated responses generated by AI tools. To this end, interview results were analyzed using one of the most advanced language models, which can handle multimodal input and offer different reasoning capabilities. This allows us to highlight both the opportunities and limitations of such integration. Further insights into the comparative results are provided in Chapter 5.

Chapter 3: Results from Professionals' Interviews

The interviews were personally conducted by the author at the transfer pricing consultants' workplace and were recorded, to gather all the valuable information that was kindly provided. The full transcripts of the interviews can be found in the appendix B.

The average length of the interviews was 27,6 minutes, a time that was found to be more than necessary to delve into each of the topics covered, leaving each interviewee with the opportunity to devote enough time to deal with each topic.

The following table lists each interviewee together with their role within the consulting firm, years of experience in the field, and interview duration in minutes.

Table 3.1 – Professionals' Interviews Profiles

Identifier	Role	Seniority (years)	Interview durations (minutes)
Interviewee 1	Partner	10+ years	15
Interviewee 2	Senior Manager	8+ years	40
Interviewee 3	Manager	6+ years	37
Interviewee 4	Manager	6+ years	22
Interviewee 5	Manager	8+ years	24

Source: The author, based on Professionals' Interviews performed

This classification supports the analysis of the interviews through coding, which was identified as the most suitable method for identifying patterns and examining similarities and differences in the respondents' opinions. Coding is considered a crucial method for analyzing qualitative data, allowing researchers to categorize information to convert raw data into meaningful insights. Moreover, it's possible to distinguish between two different coding techniques:

- Inductive coding starts with the data collected to discover existing patterns. This approach was adopted for the analysis of the qualitative data in this thesis.
- Deductive coding, on the other hand, involves a predefined set of codes based on literature and theory. which are then applied to the data (Hecker and Kalpokas, n.a.). This approach wasn't deemed suitable for the specific case, as, although the

questions chosen for the interviews were tied to the theory exposed in chapter 1, it was not possible to determine predefined coding categories without considering the potential developments that the interviews may undertake.

The coding process was carried out through Taguette[14], a website that allows people to upload their own transcripts for free and highlight and categorize respondents' answers quickly and intuitively. Subsequently, an excel table, which can be found in Appendix C, was created to promote understanding and visual organization of results, and some adjustments were put in place, listed below:

- Answers to question numbers 8 and 9 of the *Technological Impact* macro-area were pooled together because the response replies by respondents covered both questions.
- Answers to question numbers 10 and 11 of the *Transfer Pricing Documentation* macro-area were pooled together because the replies given by respondents are closely linked.

3.1 Findings

The answers of the 5 respondents were clustered into subcategories for each question. This process was done to group the insights provided by transfer pricing professionals not only by topic covered but also by question category, so as to have a 360-degree view for each major theme addressed. These subcategories, based on topics covered, are exposed divided within the 5 macro-areas of questions, in order to facilitate the discussion of the main findings in the following paragraphs.

3.1.1 Key Findings on Transfer Pricing Strategies and Decision-making

In response to the first question about the principal transfer pricing misconceptions, three main types could be identified. These relate to transfer pricing (1) nature and scope, (2) companies' expectations and perceptions and (3) practical application. First of all, there is a "*lack of technical and cultural knowledge or preparation*" as stated by Interviewee 3, and companies believe that transfer pricing can be easily ignored, that is "*just a fiscal issue*" without considering its economic and legal implications according to Interviewees 4 and 5. Anyway, the most important aspect to keep in mind is that transfer pricing follows the

[14] Website available at: https://app.taguette.org/

company's specific business "…*and the business should not have to adapt to transfer pricing rules…*" as stated by Interviewee 5 and emphasized by Interviewee 2. The most wrong beliefs are those related to transfer pricing method, even though companies think that transfer pricing is excessively costly according to Interviewee 3. Indeed, "…*Many believe that a single method can be applied to all transactions regardless of the transaction under analysis*…" and "…there is a belief that a defined method remains constant over time and is valid forever…", as illustrated by the quote of Interviewee 4. This view is supported by Interviewee 1, that declared that "…*companies do not fully understand transfer pricing methods and are unsure what to expect from applying them*…," and "…*entrepreneurs sometimes believe their internal pricing based on their own logic is automatically correct for transfer pricing purposes*...". This does not reflect reality, but the numerical outcomes are not always evident to the companies, as Interviewee 1 emphasizes. Finally, Interviewees have touched on several issues regarding the practical application of transfer pricing. Interviewees 4 and 5 focused on the audits, stating respectively that "…*clients believe that consulting professionals will guarantee the absence of tax challenges in case of audits…*" and "…*some taxpayers believe that preparing and filling the documentation is enough to avoid audits…*". While Interviewee 3 focuses on more practical implications, declaring how "…*you don't need resources dedicated to transfer pricing, any company, management control can do these things, so it's not complicated*…".

The second question that addressed directly the dynamic beyond transfer pricing methods' determination, gives other insights on analytical input needed, internal business processes and method selection outcomes. Aligned with the business following logic previously mentioned, all the respondents agree that transfer pricing method's choice is influenced by the transaction, that is not a company's choice, but its consequence. Furthermore, invoking OECD guidelines, "…*the starting point is represented by functional analysis…*" as stated by Interviewees 3 and 5. However, Interviewee 4 emphasized the role of availability of data, whereas it is not always easy to obtain detailed internal data "…*certain methods like the CUP, is not always easily applicable due to data limitations…*". Method selection could be the result of a compromise, as stated by Interviewee 2, "…*sometimes companies have very complex internal rules and mechanisms, these complex internal realities are often simplified and streamlined to apply a nearly banal method that focuses primarily on where operational profit is generated...*". This concept is taken up by Interviewee 5, "…*the practical application depends on what taxpayers are able to do, as* *complex calculation methodologies can be complicated and time consuming…*". From a practical point of view, the preferred method is TNMM. Interviewee 4 stated that "…*TNMM is often preferred because it's easier to apply and generally accepted by tax agencies…there is also a cost-benefit analysis involved in the choice of method…*". Finally, Interviewee 2 returns to the topics of "compromise" and "complexity", declaring that "…*The compromise lies in using methods like TNMM that focus on the operational result, simplifying the vast complexity of the business's internal workings…*".

The third question analyzes the collaboration between transfer pricing professionals and CEOs and other companies' representatives, going to investigate the nature of collaboration, as well as the operational mechanisms which are put into practice. Interviewees 3 and 5 underlined how the collaboration depends on the company, "*…some companies desire full-round consulting and frequently discuss numerous aspects with transfer pricing professionals, while others are much more closed and only interact with us when preparing documentation…*" as stated by Interviewee 5. Interviewee 3 returns to the topic of lack of knowledge declaring that, *"…even apical figures in companies, after years, might still not fully understand what transfer pricing is…".* But when there is knowledge about this field, Interviewee 1 shows as *"…when a CFO understands the subject matter, they often guide the transfer pricing professional, indicating their needs, and the consultant adapts the policy accordingly…*". But it is important now to understand what this collaboration consists of: *"…involves jointly evaluating the risks associated with existing transfer pricing policies,…It's considered important to implement a system of periodic monitoring to check if modifications to transfer pricing policies are necessary…*"states Interviewee 2, *"…collaboration can involve making projections to help the CFO improve the situation…",* according to Interviewee 1. Anyway, Interviewee 3 emphasized how this collaboration can have important impacts on internal companies' dynamics, stating that

> *"…transfer pricing professionals often serve as a link between the Tax function and Management Control. Their role is therefore to help put these two aspects together to provide a solution that is aligned from an accounting and management control perspective, but also efficient from a fiscal point of view,…So for many CFOs, we are the ones who put the two pieces together for them, to give a solution that is aligned from an accounting point of view but also that is then efficient from a fiscal point of view.*"

The last question is different from the previous ones, it's not focused on internal dynamics or relationships between consultants and companies, but it investigates how external factors, such as geopolitical forces, such as the ongoing trade tensions and tariffs that are currently unsettling global markets or extreme situations such as Covid-19 pandemic, relate to transfer pricing decisions. Moreover, the purpose is also to understand how it is possible for companies to mitigate and manage the risks that arise under such uncertain conditions. Interviewee 2 emphasized how *"…Geopolitical contexts influence the range of decision-making options for a business, and consequently, they reflect in the range of transfer pricing options available…"*. While Interviewees 3 and 4 agree that geopolitical factors, such as tariffs, often require companies to modify their entire supply chain and value chain, *"…prompting strategic decisions like opening factories directly in affected countries to avoid tariffs…"* as stated by Interviewee 5. Companies need to be careful to handle with these external factors that are not under their control, the key word for management in these cases is: "risk perception". Interviewees 2 and 5 respectively stated that

> *"…The perception of risk within a company's management can significantly influence how geopolitical factors impact transfer pricing policies. Companies may adopt different approaches, from strictly adhering to policies despite losses (e.g., during Covid) to allowing geopolitical factors to influence policies more directly, depending on their risk appetite…"* and *"…It depends there on the companies' risk perception, because maybe some companies have protected themselves by keeping policies in place, despite, precisely, cases of losses in subsidiaries or in the company itself. Others instead said, "Look, meaning Covid, in the sense, it's something that concerns the whole world, it's not my problem" …"*.

Instead, Interviewee 3 provides an example illustrating how U.S. tariffs can create uncertainty in decision-making:

"…Trump introduces tariffs in the United States. Is it convenient for me to continue using my American entity as an importer or do I eliminate the flow and then resell in Canada, or is it convenient for me from Italy to export directly to Canada and thus dismantle the American entity for the part it had of B2B distribution maybe and where it sold to independent Canadian resellers, and I act as an intermediary directly to Canada, disintermediating the

United States to remove the tariff? This could be something to consider with all the implications that this has…".

Furthermore, from a more generic point of view it was introduced a new concept,

"…*the concept of country risk is a concept that is very present in transfer pricing, because setting transfer prices and operating with an entity based in Brazil or in Turkey today, where the Turkish lira is in a phase of continuous devaluation, certainly entails choices in the structuring of intercompany transactions, but also in the application of transfer pricing methods that take into account the currency trend in Turkey. So if you have an entity, that sells in euros, but that incurs personnel costs in Turkish lira, it is clear that the more the euro strengthens and the Turkish lira devalues, the less its personnel costs will be worth compared to what it collects in euros, and thus margins explode. This often necessitates adjustments to normalize profitability…*".

Finally, is important to consider time horizon of geopolitical consequences, Interviewee 4 stated that "…*Geopolitical factors can lead companies to reconsider their tax planning strategies, though this impact is not always immediately or widely observed…*". Interviewee 1 agrees, noting *"…something that happened now, or even Covid a few years ago, they will have an impact, but knowing how much, how, in what way, we always must wait a couple of years. …You understand that something will happen, but you don't understand how much it will impact or if it will have a significant weight…"*.

3.1.2 Key Findings on Financial Performance

The first question of this second macro-area addresses transfer pricing impacts on internal managers evaluation. All respondents agree that there is a direct connection between transfer pricing and internal evaluation, and this represents a significant concern for the companies. Interviewees 3 and 4 respectively emphasized how

"…The link is direct because the bonus or remuneration of a manager is measured according to the result that the company has achieved. So it is obvious that when the company is adjusted because maybe it was too high, the bonus, given to the manager also suffers…" and *"…The connection between Transfer Pricing and performance evaluation is evident, particularly when companies propose introducing year-end transfer pricing adjustments…"*.

While Interviewee 5 deepens the dynamics of this issue, stating that

"...When a company's profitability is adjusted for transfer pricing purposes, for example, to bring it within the benchmark range, this adjustment directly impacts the result upon which the manager's bonus is calculated. If the result is adjusted downwards (e.g., from 10% profit to 3%), the manager may receive a smaller bonus or no bonus at all. This creates resistance, as managers may feel the downward adjustment is unfair or doesn't reflect their effectiveness or efficiency...".

Moreover, Interviewees 1,3 and 5 provide the most common solutions. *"...This involves evaluating the manager's performance and calculating their bonus based on the result (e.g., EBIT) before the transfer pricing adjustment is applied..."* as illustrated by the quote of Interviewee 5. Interviewee 3 defines this process "double track", declaring that *"...The transfer pricing adjustment is still performed and reflected in the civil and fiscal results for compliance and protection purposes, but it is designed to be "irrelevant" for the manager's bonus calculation...*". This double track seems to be necessary considering that:

"...Transfer pricing adjustments can distort the view that upper group management has of the performance of various subsidiaries. For example, if all foreign distributors are leveled to a 3% margin for transfer pricing compliance, it becomes difficult for a CEO to discern which sales team (e.g., in Australia or China) was more effective at generating business or margin at the same purchase price...".

Finally, Interviewee 1 talks about the same concept, saying that:

"...You have a sales division or a commercial company whose results you standardize, and they are always evaluated on the result, and there you have to address the issue by finding a solution which is usually to sterilize the adjustments. So, since these remuneration logics then have to be changed, there is a moment of resistance, but then, in short, it's done...".

This "double track" or "sterilization process", requires an organized internal system to function, including reporting, as stated by Interviewee 3, *"...If I don't track the two reports separately, it's clear that at that point I have to give the CEO an internal report that no longer matches the numbers that he will instead have to present to the shareholders because he will have to provide different numbers...*".

The second question analyzes how companies can satisfy the trade-off between financial performance and transfer pricing compliance, investigating what the influencing factors are, the main challenges and management approaches to face them. Interviewee 3 stated that:

> *"…There isn't one single "how-to" answer, it "goes case by case, … A major factor influencing this balance is the company's financial health. It is generally easier to implement transfer pricing adjustments and ensure compliance when groups are financially sound and generate significant cash. Conversely, companies facing cash or liquidity problems may find it difficult to make the necessary adjustments, such as increasing the profitability of foreign producers when the parent company itself is in a loss position, as this would further deepen the loss. External constraints can also play a role. For instance, agreements related to financing, government grants, or local government incentives might require certain profit levels to be maintained in specific countries, which could potentially conflict with transfer pricing requirements…".*

Furthermore, Interviewee 3, reaffirms the importance of the role of risk, "…*The company's perception of risk is also crucial in navigating this balance…*". Interviewee 2 addresses the problems that affect this balance from a broader perspective, stating that

> *"…Transfer pricing typically follows the business logic, rather than the business adapting to its rules. However, there's often a disconnect between complex internal business mechanisms (like manager incentives, detailed pricing strategies, supply chain efficiency) and the simplified, profit-focused analysis required for transfer pricing compliance. Balancing involves bridging this gap, often requiring companies to simplify complex internal rules to align with basic transfer pricing principles focused on achieving an arm's length operating result…".*

Anyway, it's not always possible to reach a balanced approach, "…*Some companies prioritize strict compliance regardless of financial state to avoid risk, while others may take more lenient positions if they are in a loss situation…*", as illustrated by the quote of Interviewee 5. Finally, Interviewee 4 emphasizes the company's vision and system that is required to achieve a fair balance and approach, *"…There needs to be an integration, an alignment between the transfer pricing policies and the financial strategies of the company in general, but how they manage to. I would say that this is constant monitoring…"*.

The third question addresses how companies' approaches, policies and decisions about transfer pricing are influenced by the company's structure, size and corporate ownership. In general, the interviewees share similar views on this matter: according to them, these factors may influence transfer pricing, but not necessarily in a consistent way. Interviewees 4 and 5 agree that larger companies are more structured, with better organized procedures, but regarding different risk appetites, the view of the respondents is not completely aligned. Indeed, Interviewee 4 stated that "…*the larger ones are more, so to speak, risk-prone compared to the smaller ones*…".

Conversely, according to Interviewee 2, "...*Publicly traded companies are often more focused on risk minimization*…". This perception is aligned with Interviewee's 3 opinion, "…*A key difference is that publicly traded companies face enormous reputational issues. They cannot afford to end up in the newspapers due to transfer pricing controversies or assessments. Public traded companies are typically more prepared and ready to address transfer pricing issues*…". Instead, the same is not true for smaller companies according to Interviewee 3, "…*Conversely, in many cases, private companies (especially owner-managed ones) might disregard transfer pricing until they face a heavy tax audit, which then often forces a change in their approach*…". Anyway, this doesn't always happen, as stated by Interviewee 2, "…*While some private companies also have well-defined policies, the order and control seem more pronounced in publicly traded ones*…". From an internal decision-making point of view, the management structure has an important role in transfer pricing approaches. According to Interviewee 2, "…*The differences observed can be influenced by the level of entrepreneurial interference in the company's operational life. Some private groups may have key decisions concentrated in the hands of a few top figures, showing less openness to external advice on transfer pricing matters*…". Of the same view is Interviewees 1 and 4, declaring respectively that

> *"…In larger companies, managers tend to adapt quickly to the suggested transfer pricing policies. Managers in larger entities may be less personally invested in the results of a specific subsidiary (compared to an owner-manager) and are more likely to simply follow the prescribed policy ("Okay, this is how it's done, so it's done this way"). In contrast, smaller companies, particularly those with strong owner-manager involvement (the "entrepreneur"), can be harder to convince to adopt transfer pricing adjustments or standardize results…" and*

"...the larger ones are more structured from a managerial point of view that allow for a greater availability of data compared to smaller companies...".

3.1.3 Key Findings on Technological Impact

The third macro-area focuses on the impact of new technology on the transfer pricing consultant profession. In particular, this section aims to explore how AI and digitalization influence daily work, identifying the most affected tasks and the nature of these impacts. Finally, the questions in this section aim at understanding how transfer pricing professionals are preparing for these changes and how they expect them to happen. According to Interviewees 3 and 4, AI and digitalization are impacting their work in a limited way. They respectively stated that: "...*Overall, numerical analysis, benchmark analysis, etc., are expected to become much simpler, allowing for many tasks to be automated*..." and "...*Automated tools exist for conducting benchmark analyses more effectively and efficiently*...". Instead, Interviewees 2 and 5 believe that no significant developments have been seen so far, respectively stating that "...*It should impact it a bit more. At the moment, perhaps not as much as it should be, as it appears, also due to team choices, structure, here, so in always valuing, trying to value people*..." and "...*it's something that in my opinion we will see from now on, meaning since I started until now I haven't perceived all these changes at a digital level, so I think there was anyway already clearly enough digitalization in our work, but the most important change in my opinion is happening now with artificial intelligence*...". In addition, interviewees agree about the fact that the digitization process is changing the skills required and will require them to reconsider how they do their work. It's evident in answers of Interviewees who also raised their concerns regarding future developments. Interviewee 1 declared that "...*if on one hand digitalization is making the simpler aspects of daily activity easier, on the other hand, it requires a greater effort on our part, in the sense of having to always give more added value in the activity we do for clients, so it is no longer a simple preparation of transfer pricing documentation, but it is precisely a 360-degree consulting activity, so a greater added value, always a greater knowledge also of the legislation, not only Italian, but also foreign*...". Of the same position is the Interviewee 3, who state how AI does not automatically mean easier work,

"The freed-up time from automated tasks should be dedicated to providing additional insights and improvements to clients. This means finding new ways to

analyze numbers, accounting, and client data using tools like AI. A critical skill required is the ability to evaluate the results generated by tools critically, understanding the underlying process rather than blindly trusting the output. If professionals don't know how to "play with the numbers," tools can become limited. The shift implies a need to radically change the way professionals work. The goal is to shift from using automation just to do manual tasks more efficiently to using it to do something different that wasn't possible before. Transfer pricing professionals need to be flexible and adapt to these dual changes, using their technical knowledge and tools to navigate the increasingly complex regulatory landscape and provide valuable, higher-level advice…".

Inevitably this may also involve reconfiguring the human resource's structure, as stated by Interviewee 2, "…*One perspective suggests that the evolution of tools, including AI, could potentially lead to the replacement of some roles rather than just integration, requiring the integration of different competencies into fewer figures*…". Furthermore, all interviewees agree about the fact that more automation in the future means more regulation, and more complexity. "…*Regulatory complexity will also increase, partly driven by the need to ensure tax compliance across various countries*…", as illustrated by the quote of Interviewee 4. According to this opinion, Interviewees 1 and 3 respectively stated that "…*This creates a challenge: while some aspects become standardized and automated, the governance of future activities will still require human expertise and the "brain"…*", and "…*In my opinion, there will be much more automation. Because of this, regulations will be much more complex, and because of this, we should be increasingly better at explaining it*…". Finally, interviewee 4 concludes the answer by emphasizing that internal tools have already been adopted as the first step in this technological transition: "…*some tools allow for the more automatic preparation of standard documents, such as proposals for clients*…".

3.1.4 Key Findings on Transfer Pricing Documentation

This section investigates two important aspects for transfer pricing professionals and companies: the development of transfer pricing documentation and the development of a transfer pricing policy that is coherent across different jurisdictions.

First of all, interviewees spoke about different resource-intensive tasks. Interviewee 4 stated that "…*Performing the benchmark analysis is a task that requires a lot of time on the part of the transfer pricing professionals. The actual preparation of the documentation itself* *is a resource-intensive process. This is especially true when the documentation needs to be prepared not only for the Italian entity but also for foreign entities, as it requires knowledge of local regulations and tailoring the document to meet local requirements. Beyond standard documentation, extraordinary activities such as policy reviews or restructuring analyses can also add significantly to the resources required…*"; while "…*The broader economic analysis within the documentation process is also highlighted as requiring significant resources…,*" declared Interviewee 5. But all Interviewees agree that the most resource-intensive task is undoubtedly the collection of financial data. Interviewee 1 stated that: "…*transfer pricing professionals report losing a lot of time because client data is provided partially, poorly structured, or requires repeated review and follow-up. This constant back-and-forth and waiting are where significant time is lost*…". Interviewee 3 is of the same mindset and sees the lack of standardization as the biggest problem,

> *"…The most resource-intensive aspect overall is identified as the need to modify the approach to collecting documents and information for each individual client. There is often a lack of a standard format for receiving information from clients. The ideal scenario, a simple table for transactions, is rarely applicable in practice. Instead, transfer pricing professionals often receive many different files from clients (e.g., 50 different files), sometimes with overlapping data, requiring significant effort to reconcile and understand…".*

Moreover, Interviewees 2 and 5 respectively declared that: "…*When a company is not internally organized or adequately trained regarding transfer pricing documentation requirements, they may not fully understand requests or are disorganized*…" and "…*A major obstacle to automation and standardization is the difficulty in collecting and analyzing information, particularly getting data from clients in a consistent format. This is seen as the most resource-intensive aspect of documentation*…".

Regarding the second topic, as explained in the first chapter, each country has its own laws and procedures that require specific documents and with specific deadlines, this has a huge impact on transfer pricing professionals works and management of resources. There are two keywords to address this concern: "risk" and "flexibility". Interviewees 1 and 4 respectively stated what is the path to follow: "…*Coordination is a significant issue when proposing changes, requiring convincing not just headquarters but also all subsidiaries. Explaining changes to everyone takes time and involves navigating different time zones and* *repeating information…*" and "*…The principal obstacle is the difference in regulations between countries, necessitating constant evolution and adaptation…, Being flexible is crucial to be able to change the transfer pricing policy in case of updates…*". For Interviewees 3 and 5, countries differences create the greatest problems; interviewee 3 stated that "*…Each state tends to interpret principles in its own way. For instance, (for the benchmark) some countries accept the interquartile range, others the median, and some the full range. Some require local comparables, while others accept regional ones…*" while "*…bureaucracy in certain countries can be an obstacle. For example, some countries require intercompany contracts to be registered, which can slow down the process…*" as stated by Interviewee 5.

Finally, Interviewees 2 and 3 emphasized the importance of risk management between different environments. Interviewee 2 stated that "*…The uncertainty is not primarily driven by regulatory change itself, but by the underlying political and economic will behind the change. As long as the intentions of different jurisdictions are misaligned, uncertainty will persist and be difficult to resolve. Managing this becomes a matter of risk management, which follows the business strategy…*" while Interviewee 3 stated that "*…Multinationals often manage this uncertainty by prioritizing based on risk areas. They assess the significance of the risk (both percentage and absolute value) localized in different countries. For instance, a high-percentage risk in a country with low volume might be ignored if the cost of addressing it outweighs the potential loss. Conversely, a significant risk in the country where the parent company is based and frequently audited warrants more attention…*".

3.1.5 Key Findings on the Impact of OECD Guidelines and Compliance

The last macro-area of questions addressed how tax audits and guidelines are shaping the behaviors and approaches of the companies to offer a precious insight to support companies in applying and follow procedures, providing valuable insights to help companies implement and follow procedures in a context where practical application often proves more challenging than theoretical understanding.

The first question seeks to understand where the controls of tax administrations are concentrated. Interviewees 1, 4 and 5 agree that benchmark analysis is frequently an easy target for tax audits. Interviewee 1 stated that "*…benchmark analysis is perceived as a subjective area and relatively easy for authorities to discuss and dispute…*" while Interviewee 4 and 5 respectively declared that "*…They may propose different comparable sets or modify the benchmark results to achieve a desired rectification…*", and "*…Tax* *authorities frequently concentrate on benchmark analysis. This is seen as one of the most common areas for audits, particularly in Italy*…". Interviewees 2 and 3 focused on other areas, particularly Interviewee 2 spoke about "…*The level of profitability or operating result retained by the resident entity or transferred to other jurisdictions is a core area of contestation. Authorities may also look into cost components more broadly*…". Instead, Interviewee 3 said that "…*Intercompany service transactions are also scrutinized, particularly regarding the deductibility of related costs. Authorities may question whether certain costs are inherent or properly allocated*…". Moreover, according to Interviewee 1, "…*Other areas that attract attention include the classification of transactions, extraordinary operations (such as the transfer of intellectual property)*…". It is always difficult for a company to deal with a tax audit, as is emphasized by Interviewee 3, "…*Authorities might shift their focus or interpretation, making it difficult for companies to predict where the next challenge will arise. Once a company addresses one risk area, authorities might find another angle. There is an asymmetry of information. Taxpayers and their consultants do not have access to the vast amount of data, controversy outcomes, and internal statistics that tax authorities possess. This gives the authorities a significant advantage in disputes*…".

In order to mitigate these risks that could have a huge impact on companies' profitability and financial structure, Interviewee 2 suggests that an appropriate documentation would be the starting point "…*This makes the subsequent documentation a snapshot of an already agreed-upon plan. you document everything, collect everything, keep everything, and explain everything*….". Of the same thought is Interviewee 4, stating that: "…*Robust Transfer Pricing documentation is crucial. While it doesn't guarantee freedom from rectification, having compliant documentation avoids the application of penalties if adjustments are made*…". Furthermore, Interviewee 4 provides other precious suggestions "…*Multinational companies must engage in constant monitoring of relevant regulations and the financial performance of their entities in different jurisdictions. Seeking preventive dialogue or agreements with tax administrations (such as rulings or advance pricing agreements) is a recommended strategy to achieve a degree of certainty regarding transfer pricing treatment ex ante*…". The same approach is suggested by Interviewee 2, stating that "…*A recommended approach is to seek preventive dialogue with tax administrations to achieve a degree of certainty. This can involve agreements, preventive dialogue, rulings, and ex ante planning*…". Finally, according to Interviewee 3, "…*Focusing on demonstrating substance in the operations conducted in each jurisdiction can be a defense against challenges, although* *sources suggest this is sometimes overlooked by authorities in favor of purely numerical adjustments…*".

The last question investigates the distance between the OECD guidelines and the real business applications. Interviewee 2 emphasized the difficult position of OECD, stating that

> *"…The OECD finds itself in a "grey area" attempting to provide a common interpretation of rules that are not inherently common. It tries to simplify complex realities to ensure uniformity and fair treatment. However, clear, simple, and applicable rules struggle to keep pace with an increasingly complex world. The political and economic will of different global powers makes it difficult to achieve universal agreement, and there isn't even the political will to agree. An effort to simplify and unify rules in a world unwilling to agree is inherently flawed…".*

Interviewee 3 is of the same opinion, declaring that: "…*A major issue is that the OECD guidelines presuppose that all countries interpret them in the same way, which is not the case. There is a disconnect between those who write the rules and how they are interpreted and applied*…". Moreover, regarding examples provided by the guidelines, Interviewees 1 and 5 have different opinions. According to Interviewee 1,

> *"…the guidelines cover everything, in my opinion, but without giving a clear indication because they cannot do it, because they apply to everyone and therefore it's a bit difficult where to go, and therefore the final part of each concept is missing. Sometimes there are examples that are very useful because you follow the example, and you go on autopilot. There are many examples that are missing. Here, a part that is certainly missing is the benchmark part, precisely…".*

Instead, Interviewee 5 said that: "…*not all cases are covered, a more particular case, then clearly you have to manage to find a solution, but sometimes they are simply difficult to interpret because... they are so generic that you can't quite grasp exactly what they mean, meaning what they mean, what is the best way to apply the transfer pricing policy in that particular case*…". In addition, Interviewee 4 provides a more specific case of where the guidelines fail to address real world businesses, "…*While the OECD guidelines consider CUP* *the most reliable and preferred method, in practice, it is often difficult to apply because it requires a level of observation and analysis that is more resource-intensive compared to methods like the TNMM…*". Finally, according to Interviewees 2 and 3 there are some external elements that prevent the correspondence between theoretical and practical applications of guidelines. Interviewee 2 stated that "…*Theoretical guidelines cannot fully account for external real-world factors like geopolitical changes, currency fluctuations (e.g., hyperinflation or devaluation), or political decisions like tariffs. Even within closer blocs like the EU, efforts to create uniform directives on transfer pricing or a common consolidated corporate tax base have failed…*". The same vision is shared by Interviewee 3, "…*Ultimately, the source of uncertainty and difficulty in applying theoretical guidelines uniformly is the lack of political and economic will among different jurisdictions to truly agree and align…*".

The table below reports the analysis of the common themes that the respondents provided while answering the questions:

Table 3.2 - Summary Table of common themes in Transfer Pricing Interviews

Question No.	Common Theme Identified
1	Misconceptions about transfer pricing as just a tax obligation; belief that one method fits all transactions; unrealistic expectations of consultants.
2	Method selection depends on the transaction, follows the business; TNMM preferred for simplicity; compromises arise due to data limitations or complex structures.
3	Collaboration with CFOs varies; sometimes CFOs guide the transfer pricing process; transfer pricing professionals connect tax and management control.
4	Geopolitical factors affect the value chain and risk perception; impact depends on the company's risk perception; consequences are indirect and often delayed.
5	Transfer pricing could affect managerial compensation; solutions include 'double track' or adjustment sterilization.
6	Balancing financial performance with compliance depends on financial health and risk perception; systemic vision and continuous monitoring are essential.

7	Differences between private and listed companies relate to structure, governance, and risk tolerance; listed firms are more cautious due to reputational risk; private firms often react post-audit.
8	Automation and AI simplify technical tasks (e.g., benchmarking) but increase demand for consulting and analytical skills; professionals must adapt.
9	More automation expected, but also more regulatory complexity; human supervision remains crucial, but an evolving skillset is required.
10	Most resource-intensive tasks: data collection, benchmarking, and multi-jurisdiction documentation.
11	The main obstacle is regulatory differences across countries; flexibility and risk management are essential; constant adaptation and coordination are needed.
12	Key audit focus areas: benchmarking, services, profitability, and deductible costs; tax authorities are unpredictable and better informed.
13	Sometimes OECD guidelines are too generic and hard to apply; theory-practice gaps worsened by geopolitical factors and lack of political agreement.

Source: The author, based on findings presented in Chapter 3

Chapter 4: Analysis of Professionals' Interviews

Based on the previously categorized questions, it was possible to determine 5 broad categories -one for each macro-area of questions- of common themes and insights into the world of transfer pricing from the perspective of those who deal with it daily for their clients, namely tax professionals. These insights offer a more comprehensive understanding of transfer pricing than theoretical models alone, providing internal and external dynamics and incorporating performance management, tax compliance, digitalization and consultant perspectives.

4.1 Five Categories' main Insights

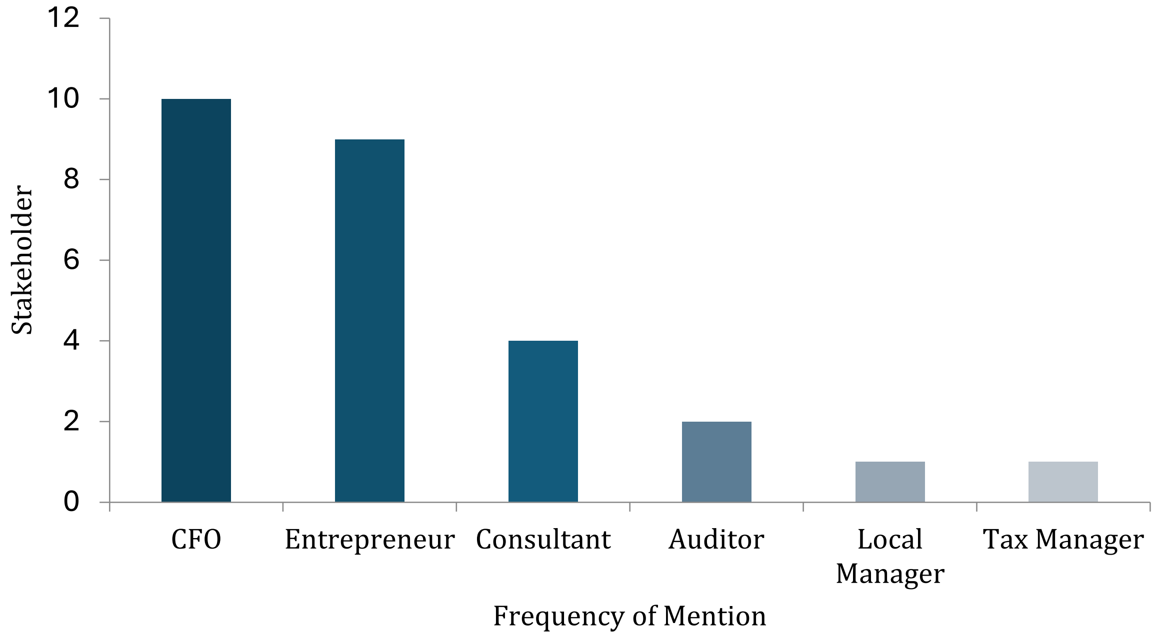
- Transfer Pricing Strategies and Decision-Making Processes

Analyzing the responses, a central theme emerges: the gap between corporate understanding of transfer pricing and the need for timely professional advice. This concern, and the inherent complexity of the matter, negatively influence the decision-making process and risk management, especially when external factors impact the business logics. One of the main misunderstandings among companies concerns the nature and scope of transfer pricing, that is generally underestimated and oversimplified. Transfer pricing is viewed by many companies as "just a fiscal issue" without considering its economic and legal implications. However, as the relevant literature in the first chapter shows, transfer pricing is not only a tax issue, but a business issue. This situation arises from the fact that there is a general "lack of technical and cultural knowledge or preparation" among companies that it's unclear what it originates from, considering the importance and volumes moved by the subject under consideration. Anyway, this may lead to an inability to deal with certain problems and situations without engaging professionals who specialize in transfer pricing. While nowadays, it can be managed internally without dedicated resources, considering the wide range of information and areas that are affected by transfer pricing. Furthermore, many companies don't understand transfer pricing methods' determinations and dynamics, mistakenly believe that a single method can be applied to all transactions regardless of their nature and that remains valid over time, or that internal prices based on business logic are automatically correct for transfer pricing purposes. Instead, the choice of method is influenced by the transaction itself and data availability and the starting point to obtain this is the functional analysis according to OECD guidelines. In addition, the TNMM is often the preferred method in practice because it is considered easier to apply and generally accepted by tax authorities, even if it might simplify the internal complexity of the business. A similar situation is shown in Appendix A, that includes an extract from Alpha S.p.A.'s 2023 Italian National Documentation. In particular, it provides a detailed analysis of the transfer pricing method determination process, which resulted in the application of the TNMM to assess the sale of finished goods to its German subsidiary, Alpha GmbH, which operates ad a distributor. TNMM adoption is justified by the lack of reliable comparable and the simpler functional profile of Alpha GmbH. This result was achieved through a detailed functional analysis that compares and separates the roles of Alpha S.p.A. (e.g., production, R&D, central marketing) from those of Alpha GmbH (distribution), supporting the selection of Alpha GmbH as the tested party.

Applying methods, such as the CUP, is often difficult due to a lack of detailed data, which is a critical key issue in the work of transfer pricing professionals. To overcome this and other issues, the collaboration and an open and constant dialogue between transfer pricing professionals and company representatives (like CFOs) is important for evaluating the risks of existing policies, implementing periodic monitoring, and making projections. Transfer pricing professionals often serve as a link between the Tax function and Management Control to align accounting, management, and tax solutions. Even though sometimes companies have unrealistic expectations on consultancy's work, related to their lack of knowledge. Indeed, some companies think that relying on transfer pricing professionals guarantees the absence of tax challenges or that simply preparing documentation is enough to avoid audits. While the professionals' job is to prepare comprehensive documentation that includes all the dynamics of the corporate group, meeting the deadlines and requirements of the different jurisdictions where it operates.

Furthermore, the graph below summarizes the number of times transfer pricing professionals have mentioned specific stakeholders during interviews, even though not all of them are specifically mentioned in the quotes above. Horizontally six stakeholder roles are listed while vertically representing the number of mentions to each one.

Figure 4.1 - Stakeholder Mentions in Interview Responses



Source: The author, based on Appendix 2: transcriptions of transfer pricing professionals' interviews

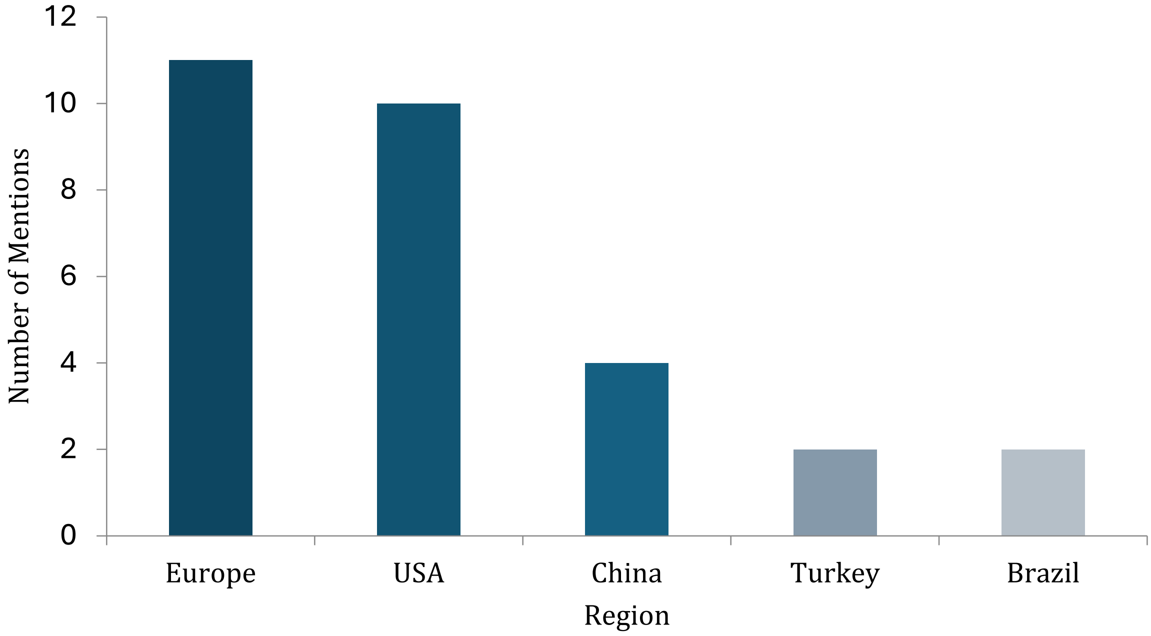
CFOs were the most frequently mentioned stakeholders (10 times), reflecting their central role in transfer pricing decisions and in building relationships with transfer pricing professionals. Entrepreneurs were also heavily discussed, suggesting their involvement in both technical and operational aspects of transfer pricing. Consultants were moderately referenced (4 times), addressing the importance and the development of consultancy in guiding clients through complex compliance and documentation tasks. While Local and Tax Managers appeared occasionally, likely in reference to challenges with performance evaluation or alignment across subsidiaries.

Instead, from an external perspective, some factors such as geopolitical forces (trade tensions, tariffs) or extreme situations (like the Covid- 19 pandemic) profoundly influence business decisions, sometimes requiring reconsideration of the strategy and modification of the entire supply and value chain. Anyway, the influence is indirect, since these factors mainly impact the business and usually do so with a delayed effect. For this reason, the crucial element in handling these factors is the risk perception by management. This concept, considering, for example, the economic differences of the countries in which a company operates, is very relevant, potentially requiring adjustments to normalize profitability under the arm's length principle.

For example, in Alpha S.p.A. documentation, have been identified geopolitical risks (e.g., the Ukraine war, Gaza conflict) as factors affecting its business operations and supply chain stability.

Moreover, the graph below summarizes the number of times transfer pricing professionals have mentioned specific geopolitical regions during interviews, even though not all of them are specifically mentioned in the quotes above. Horizontally six geopolitical regions are listed while vertically representing the number of mentions to each region.

Figure 4.2 - Geopolitical Mentions in Interview Responses



Source: The author, based on Appendix 2: transcriptions of transfer pricing professionals' interviews

Europe was the most mentioned (11 times), considering its extremely heterogeneous nature, with multinational companies operating in critical sectors. USA follows with 10 mentions, indicating its central role in transfer pricing discussions. This is especially true given the trade tensions and concerns about potential tariffs that have been raised since Trump's recent nomination. While China received moderate attention (4 mentions), often referenced in relation to benchmark analysis, documentation, or comparability issues. Brazil and Turkey were cited the least (2 mentions each) but raise important concerns related to emerging market risks.

- Financial Performance

For the purpose of achieving positive financial performance that is fully compliant, the importance of integrating tax and other elements becomes clear, including transfer pricing policies within overall corporate financial strategies, and this can be done through continuous monitoring and internal control. Indeed, the company's structure, size, and ownership influence the approach to transfer pricing, adding or removing layers of complexity. Larger, publicly traded companies tend to be more structured and focused on minimizing risk compared to private ones, which may understimate transfer pricing until an audit. The managerial footprint and entrepreneurial interference can influence openness to external advice on compliance issues. Moreover, internal manager evaluation could be impacted by transfer pricing adjustments. This is because the manager's bonus or remuneration is often calculated on the company's result. For this reason, managers can create resistance against transfer pricing adjustments and the need for a solution.

A common solution to address this issue involves evaluating the manager's performance based on the result *before* the transfer pricing adjustment is applied. But this required developing an internal system of multiple reporting to monitor each subsidiary. Without this, another issue would be raised: Calculation of standardized transfer pricing adjustments to achieve compliance can obscure the actual performance of each entity, making it difficult for management to distinguish the effectiveness of different elements of the corporate group. Finding a balance between financial performance and transfer pricing compliance depends largely on the company's financial situation, external constraints, and risk perception. It is easier to make adjustments when the group is profitable. External constraints (like financing or government incentives) can create potential conflicts with transfer pricing requirements. The company's risk perception is also crucial in this balance to adopt the most suitable strategy. It's not possible to universally determine how such a balance can be achieved, considering, for example, that some companies prioritize strict compliance regardless of financial conditions, while others may adopt more lenient positions in loss situations.

Regarding the concept of risk, the importance of perception to risk by companies was stressed repeatedly by the interviewees. In the functional analysis proposed in Alpha S.p.A.'s 2023 National Documentation, which can be found among the appendices, it is possible to note what risks should be considered in the transfer pricing analysis. Specifically, given the group's business conditions and assets owned, the Italian company is required to bear risks related to supplier relationships, R&D activities and intellectual property.

- Technological Impact

AI and digitalization are starting to impact the work of transfer pricing professionals, particularly by simplifying and automating tasks like numerical calculations and benchmark analysis. Although some interviewees have seen limited impact so far, significant developments are expected, with artificial intelligence seen as the most important upcoming change. But future AI integration doesn't only mean simplification of daily work. Indeed, digitalization will require professionals to offer greater added value, focusing on 360-degree consulting and increased regulatory knowledge. A crucial skill that will be required consists of the ability to critically evaluate the results generated by Ai tools, understanding the underlying process, in order to understand the dynamics and explain them to the companies. Anyway, AI's future integration doesn't only have positive consequences. The evolution of tools could lead to the replacement of some roles and greater regulatory complexity.

Transfer pricing professionals are increasingly integrating different kinds of AI tools in their daily work tasks, with the main goal of extracting and processing data more efficiently. To offer a more practical perspective on them, the author has conducted research on the most well-known tools, emphasizing their areas of application in the table below:

Table 4.1 - Most affected areas of AI implementation[15]

Task	AI application	Example of tool
Transfer pricing documentation	Automatization of transfer pricing documentation.	KPMG Clara
Benchmarking	The search and selection of market comparables for Benchmark analysis.	Royalty Range
Predictive Analytics	The forecast of tax outcomes and audit risks according to the strategy pursued.	Alteryx and IBM SPSS Modeler
Regulation Interpretation	Tax laws and OECD guidelines' interpretation.	Blue J

Source: The author, based on internet search

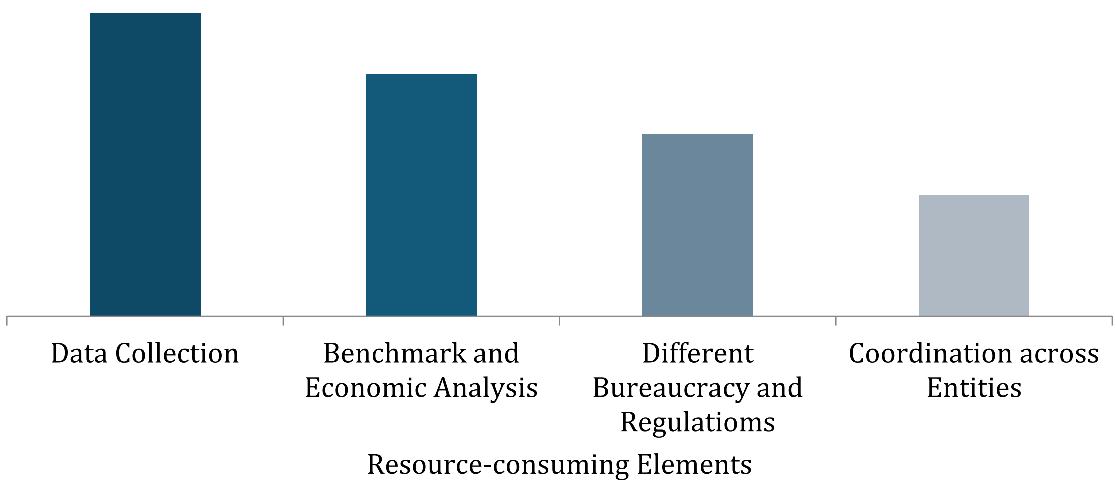
- Transfer Pricing Documentation

There are several operational challenges related to transfer pricing documentation. Also, from this point of view, risk management and flexibility are fundamental. The production of detailed documentation such as that of Alpha S.p.A. involves an enormous expenditure of resources in terms of timing and team analysis work. Among the tasks requiring the most resources for transfer pricing professionals, performing the benchmark analysis and deep economic analysis are time-consuming activities. Anyway, the lack of standardization of companies information and documents makes automation and

[15] Sources: https://kpmg.com/us/en/media/news/kpmg-clara-smart-audit-platform.html?utm; https://www.royaltyrange.com/solutions/transfer-pricing-benchmarking-tool/?utm; https://kpmg.com/us/en/capabilities-services/alliances/kpmg-alteryx.html; https://www.ibm.com/products/spss-modeler; https://www.bluej.com/

standardization of processes difficult for consultants and complicates data collection and analysis. Indeed, companies often provide partially and poorly structured data that require continuous follow-ups. This leads to a crucial loss of time, especially for the preparation of documentation for foreign entities. Regulatory differences and bureaucracy between countries are the main obstacles in the implementation of a consistent transfer pricing policy across different jurisdictions. Changes to existing transfer pricing policies require effective coordination and communication between headquarters and subsidiaries, as well as between the MNE's group and the transfer pricing professionals. The following table summarizes, in hierarchical order from the one that is considered to consume the most resources (left), to the least (right), the resource-consuming elements in the production of transfer pricing documentation.

Figure 4.3 – Hierarchy of resource-consuming Elements in Documentation



Source: The author, based on Appendix 2: transcriptions of transfer pricing professionals' interviews

- Impact of OECD Guidelines and Compliance

Compliance and audits are two elements that theoretically go together. The implementation of a robust transfer pricing documentation is fundamental to avoid penalties in case of adjustments. However, it's not always possible to avoid tax audits even if guidelines and principles have been adhered to; in fact, these sometimes struggle to address the concrete challenges of multinational operations, because they presuppose a uniform interpretation across countries, that doesn't coincide with reality.

Benchmark analysis is often a preferred area for audits, perceived as subjective and easy to contest. Tax authorities also focus on the level of profitability of resident entities, intercompany service costs deductibility and allocation, and the classification of transactions. Tax authorities have a significant advantage due to access to a vast amount of data making it difficult for companies and consultants to predict areas of contention. Anyway, companies' preventive strategies consist of monitoring regulations and financial performance, along with proactive dialogue with tax authorities (e.g. APAs).

Scrolling through the pages of Alpha S.p.A. document, it's possible to see the structure and the level of detail of the analysis. It has been emphasized a robust transfer pricing documentation, aligned with OECD Guidelines, is essential to support the adopted methodology. In addition, although it's not possible to see the complete benchmark process, it's still possible to consult the arm's length range, derived from the analysis performed to assess the marginality of the tested party.

Finally, the table below summarizes the number of times each interviewee, in the 5 columns, referred to a given thematic category, represented by the rows, during the coding process. For example, the number "6" in the row *Misconceptions and Method Trade-offs* and column *Interviewee 3* means that Interviewee 3 made six explicit or in-depth references to that theme.

Table 4.2 - Thematic Coding Matrix Analysis

Theme	Inter. 1	Inter. 2	Inter. 3	Inter. 4	Inter. 5
Strategies and decision making	5	5	6	4	3
Financial Performance	4	3	5	4	3
Technological Impact	3	3	4	3	2
Documentation	3	4	5	4	3
OECD Guidelines and Compliance	3	4	5	3	3

Source: The author, based on Appendix 2: transcriptions of transfer pricing professionals' interviews

This table shows that the most frequently discussed theme on average is Strategies and decision-making, with 23 contributions, highlighting common misunderstandings and challenges related to methods determination in transfer pricing. Interviewee 3 provided the most comprehensive and detailed contributions (25), while Interviewee 5 obtained the lowest score from this point of view (14). Finally, the least discussed theme is Technological Impact, especially by Interviewee 5 (only 2 mentions), suggesting that not all professionals have gone into detail about AI or automation and their centrality to daily work.

4.2 Research's Limitations and Future Suggestions

Although the research provides valuable insights into the work of transfer pricing consultants and the dynamics surrounding the topic of transfer pricing, it also presents certain limitations.

- Limited and Biased Simple size: the interviews were conducted by involving professionals who work in the same setting and follow companies who occupy a specific geographic area. Furthermore, considering the small number of participants, the results cannot be generalized. This element may have limited the heterogeneity of the insights received compared to an interview that would involve a larger and more diverse multitude of respondents.
- Interpretation Bias: coding and qualitative analysis was subjected to the subjective analysis of the researcher. This may have introduced significant biases regarding the elements to be emphasized and those to be given less consideration.
- Time and Confidentiality Constraints: the research may have been limited by the available time of the respondents, and also some relevant information may not have been shared by the respondents.

However, the results obtained and how they were obtained may provide a starting point and be useful for future research in the field. Specifically, based on my experience and the limitations outlined above, the following are possible suggestions to consider in expanding the research.

- Use of mixed methods: the combination of different data collection methods could be an additional element in obtaining more detailed and valuable data. In addition, alternating between open questions, closed questions, as well as quantitative data or introducing some tools, could be considered in order to diversify the type of data collected. Finally, repeating the study over time could also show the evolution of patterns and different themes.

- Inclusion of different interviewees: it is important to increase the heterogeneity of the sample in order to have more diverse opinions among them. Including participants from different geographic areas and dealing with different sectors from each other could be very helpful for this purpose. Finally, an even more valuable contribution could be made by having the opportunity to interview other relevant actors such as tax authorities and customers.

Chapter 5: AI data analysis

Given the variety and quality of supporting technological tools available, an analysis of the transfer pricing professionals' interviews using AI was possible in order to demonstrate mainly how:

- It's easy and straightforward to get output through AI tools. This minimizes the use of resources required to achieve a given output, with the goal of maximizing the latter.
- This part of the analysis shows how a technological tool like AI can replace human intervention, opening up deeper insights that touch on several areas.

Specifically, the analysis was performed by subjecting the material to ChatGPT. However, in order to obtain an optimal result, the model used was ChatGPT 4o. GPT-4o is OpenAI's top of the line model, capable of real-time reasoning through different kinds of input (such as audio, videos, and text). GPT-4o is available in ChatGPT without limit through a monthly or annual ChatGPT Plus subscription.[16]

5.1 ChatGPT 4o's Research and Output

The prompt provided to ChatGPT for data analysis was as follows:

"Now I'm going to give you written interviews of 5 transfer pricing professionals, composed by 13 questions, grouped into 5 categories. You have to do a coding analysis on them and then categorize the results into 5 macro categories, which can correspond to the 5 sections of the questions. You have to give me an analysis description, to which you can add tables or graphs, make it very detailed, as if you were a researcher in economics and a transfer pricing expert who wants to study how from a practical point of view this is approached by the transfer pricing professionals interviewed."

In addition to this request, a file was attached that included the research question, available in paragraph 2.1, the 13 questions that can be consulted in paragraph 2.3, and finally the transcripts of the interviews, which correspond to those available in Appendix B. Although the analysis is based on input processed by the author and is therefore

[16] Source: https://help.openai.com/en/articles/7864572-what-is-the-chatgpt-model-selector

potentially subject to bias and the subjective perception of the researcher, the AI was given all the material necessary to develop a detailed analysis in complete autonomy.

The AI model proposed the following answer:

Based on the detailed coding of the five professionals' interviews across thirteen questions grouped into five thematic categories, the analysis yields the following insights. These are presented below using the five macro-categories as analytical pillars:

1. Misconceptions and Method Trade-offs

Themes Identified:

- *Widespread misconceptions include the belief that transfer pricing is solely a fiscal compliance task.*
- *Professionals often encounter a lack of understanding regarding the rationale behind methods (e.g., TNMM vs. CUP).*
- *Smaller or family-owned businesses are more resistant to aligning transfer pricing with standardized methods or results.*

Key Trade-offs:

- *A recurring compromise emerges between business-driven logic and methodological rigor.*
- *Often, economic reality within firms is simplified to apply transfer pricing methods, especially TNMM, due to lack of reliable comparables or available data.*
- *Professionals adapt transfer pricing methods to follow business logic, rather than expecting businesses to conform to theoretical frameworks.*

Insights:

- *This confirms a common alignment with OECD principles, which recommend that transfer pricing should follow business substance. Yet, execution requires simplification that can distort the real economic narrative.*

2. Financial Performance and Managerial Incentives

Themes Identified:

- *Transfer pricing adjustments frequently conflict with executive KPIs based on pre-adjusted financials like EBIT.*
- *Resistance to transfer pricing often stems from concern over bonuses and internal performance evaluations.*
- *Professionals solve this by separating fiscal and managerial reporting ("double-track reporting").*

Impact by Company Type:

- *Listed companies are generally more transfer pricing-compliant due to reputational risks and stakeholder scrutiny.*
- *Private or family-owned firms exhibit more flexibility but also more resistance—often due to centralized decision-making by entrepreneurs.*

Insights:

- *Transfer pricing is not merely a tax concern but a powerful managerial lever that can align or misalign executive incentives, financial flows, and tax strategies.*

3. Digitalization and Skillset Evolution

Themes Identified:

- *Automation is increasingly impacting routine tasks like benchmarking and documentation.*
- *There is divergence in the perceived value of AI: junior professionals may over-rely on tools without understanding the underlying logic.*
- *The role of the transfer pricing advisor is evolving from document producer to strategic consultant.*

Outlook:

- *All interviewees agree that compliance activities (e.g., documentation, benchmarking) will be highly automated.*
- *However, regulatory complexity is expected to increase in parallel, requiring higher analytical capacity and interpretive skills.*

Insights:

- *The future of transfer pricing lies in a hybrid model: automation of routine work coupled with human expertise in judgment, interpretation, and client education.*

4. Documentation Burden and Global Coordination

Themes Identified:

- *The most resource-intensive activity is collecting and harmonizing client data across jurisdictions.*
- *Lack of standard formats, inconsistent internal processes, and miscommunication cause inefficiencies.*
- *Regulatory asymmetry across countries complicates the implementation of uniform transfer pricing policies.*

Strategies to Manage Complexity:

- *Firms rely on preventive measures such as APAs, bilateral agreements, and ex-ante planning.*
- *Constant coordination with subsidiaries and training are necessary to implement and maintain effective policies.*

Insights:

- *The documentation process is not just a compliance issue but a relational one that requires coordination, standardization, and investment in digital infrastructure.*

5. OECD Principles vs. Practical Realities

Themes Identified:

- *Theoretical principles fail primarily due to:*
    - *Regulatory fragmentation and different interpretations across jurisdictions.*
    - *Absence of reliable local comparables.*
    - *Lack of examples or implementation guidance within OECD guidelines.*
    - *Asymmetric access to data (tax authorities vs. taxpayers).*

Illustrative Gaps:

- *Countries such as Germany do not publish sufficient financial data, impairing benchmarking accuracy.*
- *New regulatory initiatives may reduce ambiguity, but only if universally adopted—which is unlikely.*

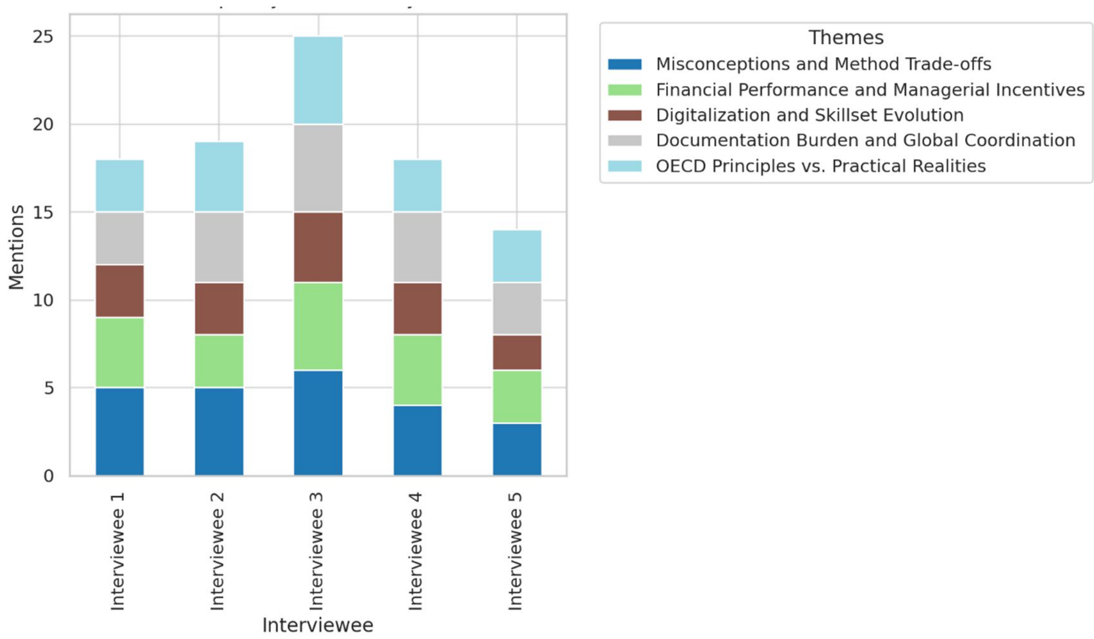
Insights:

- *The tension between global principles and local execution underscores the need for international alignment and data transparency.*

In addition, graphs were provided to deepen the analysis, allowing for well-developed and meaningful insights. Such graphs analyze the frequency and distribution of topics covered, going into detail for some of them.

First of all, the stacked bar chart below illustrates the frequency of each thematic mention made by the 5 interviewees. Each vertical bar represents one interviewee, while, as explained in the legend on the right, the bar is divided into 5 colored segments. The length of each segment represents the number of times that each interviewee referenced one of the five themes.

Figure 5.1 – Stacked frequency of Themes by Interviewee

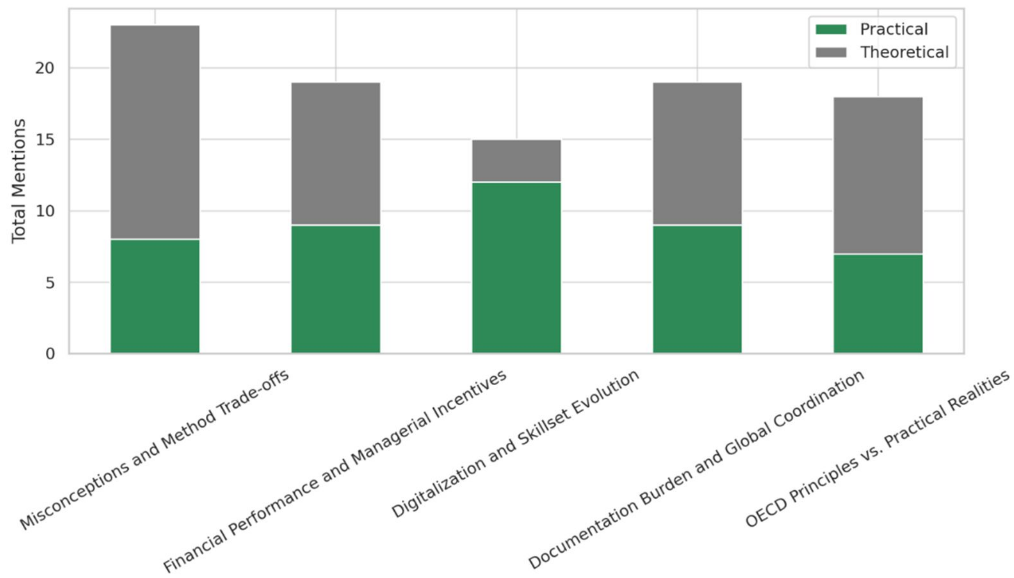


Source: figure generated with the support of OpenAI's ChatGPT for data analysis and visualization purposes.

Interviewee 3 is the participant with the highest total number of thematic references (25), especially for the first theme Misconceptions and Method Trade-offs, while Interviewee 5 has just 14 mentions, the lowest number of contributions, especially in themes such as Misconceptions and Method Trade-offs and Digitalization and Skillset Evolution. The latter is actually the least discussed and emphasized theme.

The second graph provides a more specific analysis, comparing the emphasis placed on theoretical concepts and practical insights for each of the 5 thematic categories previously mentioned. Horizontally the five main categories are listed while vertically representing the total number of mentions to each theme during interviews.

Figure 5.2 – Theoretical vs. Practical Emphasis by Theme

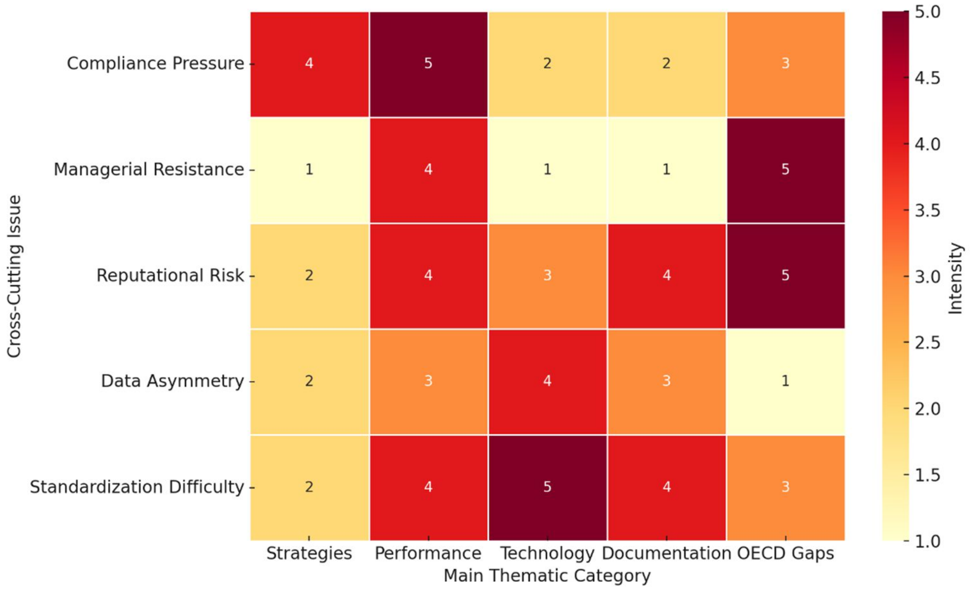


Source: figure generated with the support of OpenAI's ChatGPT for data analysis and visualization purposes.

Digitalization and Skillset Evolution shows the highest portion of practical mentions, emphasizing how this topic is being discussed in terms of real-world experience and change. Instead, Misconceptions and Method Trade-offs show a prevalence of theoretical content, suggesting frequent reference to theoretical concepts and guidelines, especially related to methodological aspects.

Finally, ChatGPT 4o provides a heatmap to investigate the relationships between different thematic categories and the dynamics that affect them. Horizontally the five main categories are listed while vertically representing the cross-cutting issues, broad challenges and themes that appear more or less related to the categories. Moreover, the value contained in each cell (from 1 to 5) indicates the frequency with which each cross-cutting issue is connected with a given thematic category.

Figure 5.3 – Cross-Cutting Issues Across Thematic Categories



Source: figure generated with the support of OpenAI's ChatGPT for data analysis and visualization purposes.

The heatmap's interconnections show interesting insights. Considering the issues that recorded the highest value of 5, Compliance Pressure is strongest in the Performance category, showing that financial results are heavily influenced by pressure of tax regulations and compliance. Managerial Resistance is concentrated in OECD Gaps, suggesting internal company resistance is particularly high where theory diverges from business reality. Reputational Risk peaks in OECD Gaps (5), Documentation and Performance (4), reflecting companies' concerns over tax transparency and documental control, when they deal with transfer pricing. Finally, Standardization Difficulty scores highest in Technology, highlighting operational challenges in aligning global practices, especially because technological advancements are not able to overcome differences between countries and standardize the process.

5.2 Cross-validation of results: Manual coding vs AI-supported interpretation

ChatGPT was able to provide in a few minutes a comprehensive and schematic insight that could be deepened by asking more specific questions. It can be seen that the results are almost aligned, especially with regard to the graph of mentions of different themes, however, ChatGPT went into specifics by developing analyses and viewpoints that enrich what was previously set forth in Chapter 4. In particular, the insights drawn from each category are the same, but they have been expounded by Ai in a more schematic but equally more comprehensive way, with short sentences encapsulating the key points. However, the background is missing; ChatGPT doesn't immediately specify in detail where it took the various parts, but one must interact with it to understand it. Finally, by carefully comparing the two analyses, it is possible to draw differentiating elements that can give rise to insights into the future use of AI, summarized in the table below:

Table 5.1 – Author's vs AI-Supported Analysis Comparison

Aspect	Author's Analysis	AI-Supported Analysis
Depth of Interpretation	Richer in context sensitivity	More schematic but potentially less sensitive to subtle cues
Bias	Influenced by personal interpretation or expectations	Influenced by training data and model limitations
Speed and Efficiency	Slower, considering the large volumes of text	Rapid synthesis of multiple transcripts and insights generation
Theoretical Link	Strongly aligned with academic models and frameworks	Needs user's support to align with theory

Source: The author, based on paragraph 5.1

Conclusions

The research highlights a situation that, on one hand, reflects the growing importance of transfer pricing issues, and on the other, a superficial understanding of the topic among companies and professionals, despite its significant implications for both managerial and overall corporate performances.

Through the contribution of tax consultants specialized in transfer pricing, the study provides a comprehensive overview integrating multiple fields, providing valuable insights into transfer pricing practices. This process occurs within a broader context of evolving roles in transfer pricing, driven by the emergence of AI and other advanced technologies, which are reshaping the world, building a more dynamic and interconnected global landscape. Automation is impacting several tasks, and the role of transfer pricing consultants is evolving to strategic advisor.

In particular, the most significant impact is on customer data collection, which is considered a key step in the preparation of transfer pricing documentation. The current heterogeneity results in inefficient use of time. However, this standardization is not always fully achievable due to tax compliance requirements across different jurisdictions.

Transfer pricing has never been solely a fiscal issue, as is commonly thought. But this also depends on certain characteristics of the companies involved. It has been demonstrated that larger firms exhibit a lower propensity to make transfer pricing adjustments, as they possess greater financial resources that can be allocated toward potential litigation. Additionally, they prioritize the adverse consequences that could result from a negative assessment by tax authorities. In the context of smaller firms, adjustments that seem to be contrary to managerial bonuses generally necessitate a distinct internal organizational structure.

This feature distinguishes the present research from its predecessors, which focused on a specific aspect of transfer pricing, with all the related pros and cons. Furthermore, this study presents a detailed methodology that can serve as a foundational starting point for future research in transfer pricing but also unrelated fields. Finally, it leaves open the question of the integration in future research of AI in the analysis of qualitative data collected.

However, a larger and more heterogeneous sample would be necessary to provide a comprehensive understanding of what it truly means to deal with transfer pricing. Ultimately, a practical case that follows the entire process, from client acquisition, preparation of documentation, to interactions with tax authorities, would provide a unique contribution to a similar research, even if increasing the complexity of both its structure and the topics addressed.

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Appendix A: Alpha S.p.A. Documentazione Nazionale 2023

Documentazione Nazionale

Alpha S.p.A.

Periodo d'imposta chiuso al 31 dicembre 2023

2 Operazioni infragruppo

2. Operazioni infragruppo

L'obiettivo di questa sezione è quello di fornire ulteriori dettagli rispetto alle operazioni infragruppo, effettuate nel 2023, che coinvolgono Alpha S.p.A. rilevanti ai sensi dell'art. 110 comma 7 del TUIR per l'esercizio fiscale chiuso al 31 dicembre 2023.

Le operazioni in esame sono suddivise in categorie omogenee secondo le logiche previste dalle Linee Guida OCSE[17].

Si riporta di seguito una tabella riassuntiva delle operazioni infragruppo effettuate tra Alpha S.p.A. e le altre società del Gruppo nel corso del 2023.

Par.	Tipologia di operazione	Importo 2023	%
Operazioni Attive			
2.1	Cessione di prodotti finiti da Alpha S.p.A. a Alpha GmbH	5.371.821	77,9%
	Riaddebito costi vari da Alpha S.p.A. a Alpha GmbH	128.971	1,9%
	Cessione di prodotti finiti da Alpha S.p.A. a Alpha France S.A.S.	5.722	0,08%
Subtotale		**5.506.514**	**79,9%**
Operazioni Passive			
2.2	Service fee	1.231.523	17,9%
	Addebito costi vari da Alpha GmbH a Alpha S.p.A.	154.211	2,24%
Subtotale		**1.385.734**	**20,1%**
Totale		**6.892.248**	**100%**

Infine, si precisa che, gli importi sopra riportati sono stati opportunamente riconciliati con gli importi dei componenti positivi e negativi di reddito indicati nel rigo RS106 del modello dichiarativo, come di seguito esposto.

		Componenti positivi	Componenti negativi
Prezzi di trasferimento	**RS106**	5.506.514	1.385.734

[17] Si veda, in particolare, quanto descritto al paragrafo 3.10 delle Linee Guida OCSE.

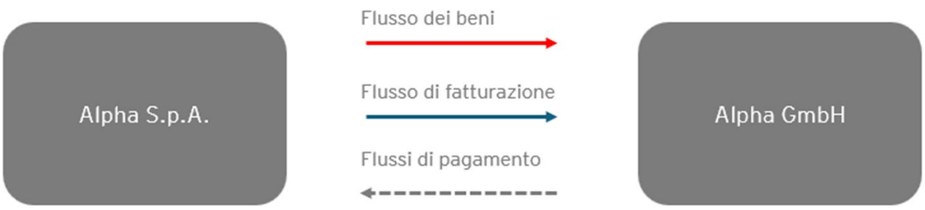
Di seguito si riporterà per ciascuna tipologia di transazione analizzata una descrizione dei flussi e degli importi nonché delle controparti coinvolte nelle medesime, rimandando al capitolo specifico per ciascuna di esse per un'analisi completa.

2.1. Cessione di prodotti finiti da Alpha S.p.A. ad Alpha GmbH

La transazione in esame ha ad oggetto la cessione di prodotti finiti da Alpha S.p.A. alla controllata Alpha GmbH destinati al **rispettivo** mercato di riferimento in cui quest'ultima opera.

Si precisa che tale transazione risulta essere regolata da uno specifico contratto stipulato tra Alpha S.p.A. e Alpha GmbH (*Intercompany distribution contract*).

Il diagramma e la tabella che seguono rappresentano il flusso e gli importi dell'operazione oggetto di analisi.



Descrizione dell'operazione	Cedente	Cessionario	Importo 2023	Paese	Valuta di fatturazione
Cessione di prodotti finiti	Alpha S.p.A.	Alpha GmbH	5.371.821	GER	EUR
Totale			**5.371.821**		

Le motivazioni economico giuridiche sottostanti il flusso della transazione in esame sono strettamente correlate alla volontà di Alpha S.p.A. di espandere il proprio business nei paesi geograficamente coperti dalla presenza della società controllata al fine di incrementare il proprio fatturato.

2.1 Cessioni di prodotti finiti da Alpha S.p.A. ad Alpha GmbH

2.1.1 Descrizione delle operazioni

Nel corso dell'esercizio 2023, si sono verificate cessioni di prodotti finiti da Alpha S.p.A. ad Alpha GmbH, destinati al rispettivo mercato di riferimento.

Alpha GmbH, essendo deputata alla distribuzione e commercializzazione del prodotto in Germania, si fa carico di tutte le attività, costi e rischi connessi.

a) Ammontare dei pagamenti effettuati e/o ricevuti

La tabella che segue rappresenta gli importi delle transazioni in oggetto nell'esercizio in esame.

Descrizione dell'operazione	Cedente	Cessionario	Importo 2023	Paese	Valuta di fatturazione
Cessione di prodotti finiti	Alpha S.p.A.	Alpha GmbH	5.371.821	GER	EUR
Totale			**5.371.821**		

b) Identificazione delle imprese associate coinvolte

Come desumibile dalla tabella precedente, le parti coinvolte nella transazione in esame sono le seguenti:

Alpha S.p.A.: come descritto nel Capitolo 1, la Società è impegnata nella produzione di meccanici ed elettronici per automobili. Nella transazione in esame la Società assume la qualifica di *Principal*;

Alpha GmbH: la società è impegnata nella distribuzione e commercializzazione dei prodotti Alpha in Germania ed assume, con riferimento alla transazione in esame, la qualifica di entità distributiva.

c) Operazioni comparabili indipendenti (esterne e interne) e indicatori finanziari

Operazioni comparabili indipendenti (esterne e interne)

Come descritto più nel dettaglio al paragrafo 2.1.3, sebbene Alpha venda i medesimi prodotti sia alla controllata tedesca, sia a distributori terzi, italiani ed esteri, nella fattispecie in esame le transazioni con soggetti indipendenti non possono essere considerate comparabili con quelle realizzate verso Alpha GmbH per l'esistenza di importanti differenze, quali la localizzazione dei mercati in cui operano le controparti, le specifiche tecniche dei prodotti venduti nel mercato tedesco, la tipologia di prodotti e le strategie specifiche attivate per specifiche necessità commerciali.

Per quanto riguarda il c.d. confronto esterno, è da considerare che solitamente è molto difficile individuare il prezzo applicato nelle singole transazioni operate da soggetti indipendenti, in quanto questi dati non sono accessibili pubblicamente. Inoltre, non è stato possibile identificare transazioni comparabili (esterne) tra terze parti indipendenti sufficientemente comparabili a quella in esame per la tipologia di prodotti.

Indicatori finanziari

Qualora si valuti l'applicazione dei metodi basati sulla comparazione dei margini lordi (*cost plus, resal minus*) o di quelli netti (TNMM), selezionata la *tested party*, è necessario identificare il *financial indicator* da testare.

Gli indicatori del livello di profitto o *Profit Level Indicator* (PLI) sono indici che misurano le relazioni tra profitti e costi o risorse impiegate. Un'applicazione attendibile del metodo richiede la scelta di un indicatore di livello di profitto che offra la misurazione più affidabile dell'utile che la *tested party* avrebbe ottenuto in condizione di libera concorrenza, tenendo in considerazione tutti i fatti e le circostanze economiche della transazione. La scelta dell'indicatore del livello di profitto adeguato dipende pertanto dalle funzioni svolte sia dalla parte oggetto di analisi, sia dalle società comparabili indipendenti.

Tra i PLI più diffusi possiamo citare il *mark up* sui costi*, gross margin* o altro PLI sui margini netti.

Ai fini della presente analisi, è stato scelto come PLI *l'Operating Margin* (OM) espresso come rapporto tra il risultato operativo ed il fatturato, come meglio descritto al successivo paragrafo 2.1.3.

2.1.2 Analisi di comparabilità

a) Caratteristiche dei beni e dei servizi

I prodotti acquistati e distribuiti da Alpha GmbH sono rappresentati principalmente da componenti per automobili. Si rimanda al paragrafo 1.2.1 per una completa descrizione.

b) Analisi delle funzioni svolte, dei rischi assunti e dei beni strumentali utilizzati

Funzioni svolte

Ricerca e Sviluppo: gli elementi chiave delle attività di ricerca e sviluppo sono la ricerca, lo sviluppo di nuovi prodotti, l'ottimizzazione del processo di produzione dei componenti per automobili, lo sviluppo di una strategia innovativa e delle funzioni di supporto. Alpha S.p.A. è dotata di un reparto di R&S che ha lo scopo di sviluppare i nuovi prodotti da inserire sul mercato, sia sulla base di indicazioni fornite dal cliente sia, molto spesso, sulla base di valutazioni autonome che portano a proporre al cliente nuovi prodotti.

La società Alpha GmbH non svolge alcuna attività in riferimento a questa funzione.

Progettazione: tale attività viene svolta dal personale interno alla Società ed impiegato nelle diverse *Business Units.* Segnatamente, l'attività di progettazione è prerogativa di Alpha S.p.A. e ha lo scopo di definire tutte le caratteristiche dei nuovi prodotti, sia sotto il profilo tecnico (e.g. tipo di materiale, estetica), sia sotto il profilo commerciale (prezzi, prestazione).

La società Alpha GmbH non svolge alcuna attività in riferimento a questa funzione.

Controllo di qualità e ricerca: Alpha S.p.A. considera il controllo della qualità un fattore determinante per il rispetto dei propri standard qualitativi e d'immagine: a tal fine si avvale di risorse interne ed enti certificatori esterni dedicati all'analisi della qualità dei prodotti e delle tecniche di lavorazione durante tutte le fasi del ciclo produttivo interno ed esterno. Al fine di assicurare lo svolgimento ottimale delle attività di controllo e testing dei prodotti, nonché allo scopo di ridurre i tempi necessari per attuare le procedure di certificazione, la Società ha investito nella predisposizione di un laboratorio tecnico all'interno del proprio stabilimento produttivo.

La società Alpha GmbH non svolge alcuna attività in riferimento a questa funzione.

Produzione: per quanto concerne i componenti per automobili, vengono tutti realizzati in *outsourcing*, secondo gli accordi e la documentazione tecnica consegnata ai fornitori. Per i componenti delle automobili, nonostante parte dei processi produttivi vengano svolti presso terzi, la Società predispone stringenti controlli sull'*output.* L'assemblaggio delle componenti per la realizzazione dei prodotti Alpha viene generalmente svolto all'interno della Società.

La società Alpha GmbH non svolge alcuna attività in riferimento a questa funzione.

Marketing, pubblicità e promozione: le funzioni *marketing* e pubblicità permettono l'accesso a nuovi mercati, la promozione delle vendite, l'aumento della fedeltà e fiducia del cliente e della *product awareness*. Alpha S.p.A. sviluppa attività di *marketing*, identifica opportunità di *sponsorship* che possano aumentare la conoscibilità del marchio, organizza iniziative pubblicitarie e partecipa alle fiere del settore per promuovere le vendite.

La società Alpha GmbH svolge attività di marketing sul proprio mercato di riferimento.

Magazzino e logistica: tale funzione si riferisce alla spedizione dei prodotti al cliente e comprende il trasporto, l'immagazzinaggio e le altre attività necessarie per coordinare la movimentazione dei prodotti. Dopo il processo di produzione e imballaggio, i prodotti finiti vengono depositati nei magazzini della società italiana ed in seguito consegnati. I prodotti e i ricambi sono venduti DDP dallo stabilimento italiano.

Distribuzione e commercializzazione dei prodotti: Alpha S.p.A. gestisce la commercializzazione dei propri prodotti nei confronti di operatori specializzati, distributori, grossisti, ovvero clienti finali (nel caso delle vendite della linea Alpha Tech) occupandosi dell'analisi di mercato, di interpretare la situazione economica generale, valutando e ricercando nuovi canali di distribuzione ed accordi di partnership. La Società, proponendo un prodotto tecnico, deve garantire sostegno della diffusione del proprio portafoglio prodotti, un supporto assistenziale per le fasi di illustrazione tecnica dei prodotti, corsi di formazione/aggiornamento, supporto telefonico, etc. La Società offre inoltre assistenza a fronte della difettosità del prodotto venduto che può tradursi nella sostituzione ovvero nella riparazione dello stesso.

La società Alpha GmbH è attiva nella vendita e distribuzione dei prodotti Alpha nel proprio mercato di competenza. Oltre all'attività di distribuzione a favore di Alpha S.p.A., la società Alpha GmbH è attiva nella funzione di After Sales, svolgendo servizi di assistenza tecnica e vendita di parti di ricambio.

<u>*Finance, Accounting, Control:*</u> Alpha S.p.A. è direttamente responsabile per le funzioni di amministrazione, finanza e controllo. In particolare, il personale dedicato a queste funzioni si occupa del controllo dei crediti nei confronti dei clienti, del budget, della stesura del bilancio ed è autonomamente responsabile per la fatturazione e il pagamento da parte dei clienti. Anche la società tedesca è responsabile, relativamente alla propria struttura, per tali funzioni.

<u>Risorse Umane:</u> Alpha S.p.A. è responsabile della gestione delle risorse umane ed in particolare dell'assunzione, del compenso, dei benefit e della *compliance* normativa italiana in materia di lavoro. Anche la società tedesca è responsabile, relativamente alla propria struttura per tali funzioni.

Rischi assunti

La gestione del rischio, intesa come un insieme di processi e attività che permette di identificare, analizzare e valutare i rischi associati all'attività, è in capo ad ogni singola società: questo perché i relativi danni e le eventuali perdite che ne deriverebbero sono a carico di ogni soggetto giuridico. Ogni società svolge in proprio l'intero processo di gestione dei rischi, in particolare, definito il contesto in cui opera, la società identifica i rischi, li analizza e li valuta ed implementa un sistema per prevenirli e risolverli.

<u>Rischio di Mercato</u>

Tale rischio fa riferimento principalmente al rischio di oscillazione della domanda di prodotti dovuta a fattori specifici del settore o a condizioni generali, al grado di sostituibilità dei prodotti, nonché alla perdita delle opportunità di business. Il rischio di mercato è presente per ogni azienda del settore poiché deriva dalla natura competitiva del mercato.

Tale rischio è sostenuto sia da Alpha S.p.A. sia da Alpha GmbH.

<u>Rischio instabilità dei mercati internazionali</u>

Il rischio che in alcuni dei mercati internazionali in cui la Società opera si manifestino situazioni critiche, quali guerre, pandemie o instabilità politico/sociali, tali da impattare negativamente il business, è gestito attraverso una diversificazione del volume d'affari limitandone la concentrazione in uno specifico mercato e attraverso il continuo monitoraggio dell'evoluzione delle situazioni politico-sociali dei paesi in cui la Società opera. Vengono altresì costantemente monitorate ed eventualmente applicate le normative e le eventuali sanzioni internazionali stabilite dagli organi di governo. Si tratta dei rischi non preveduti né prevedibili.

Tale rischio è sostenuto sia da Alpha S.p.A. sia da Alpha GmbH.

<u>Rischio rapporti con i fornitori</u>

L'utilizzo di produttori e fornitori terzi comporta il sostenimento di rischi addizionali, come il rischio di cessazione e/o risoluzione degli accordi contrattuali, di carenze riscontrate a livello della qualità dei prodotti forniti e dei servizi prestati, di ritardi nella consegna dei beni commissionati.

La società Alpha GmbH non sostiene tale rischio.

<u>Rischio per le attività di ricerca e sviluppo</u>

Tutti i rischi legati all'attività di ricerca e sviluppo di prodotto e di processo sono sopportati da ciascuna BU, le quali sostengono tutti i costi inerenti e Alpha S.p.A., in qualità di entità giuridica, diventa unica proprietaria di tutti gli sviluppi conseguiti e degli eventuali intangibili.

La società Alpha GmbH non sostiene tale rischio.

<u>Rischio di credito e di insolvenza</u>

Il rischio di credito si configura come il rischio che un cliente, una volta stipulata la vendita e ricevuto il prodotto, non sia in grado o non sia disposto a pagare l'acquisto al venditore. I crediti commerciali sono monitorati dall'ufficio amministrativo della Società; la Società, nel suo complesso sopporta il rischio derivante dal mancato incasso, stanziando, ove ritenuto necessario un adeguato fondo a copertura di eventuali situazioni critiche. In linea generale, comunque, il rischio di insolvenza per la Società è limitato ed i fenomeni di insoluti sono poco significativi.

Pertanto, sia Alpha S.p.A. sia Alpha GmbH sostengono tale rischio, ognuno limitatamente al proprio portafoglio crediti.

<u>Rischio di liquidità</u>

Il rischio di liquidità si manifesta con l'incapacità di reperire, a condizioni economiche, le risorse finanziare necessarie per l'operatività della Società. I due principali fattori che determinano la situazione di liquidità sono da una parte le risorse generate e assorbite nelle attività operative e di investimento, dall'altra le caratteristiche di scadenza e di rinnovo del debito o di liquidità degli impieghi finanziari. La Società cerca di ottimizzare la gestione delle risorse finanziarie, ricorrendo all'ottenimento di linee di credito adeguate.

La società Alpha GmbH sostiene tale rischio, mantenendo una certa indipendenza nell'identificazione delle politiche di finanziamento.

Rischi connessi alla proprietà intellettuale

Alpha tutela su tutti i propri principali mercati i propri beni intangibili proteggibili, ma non è possibile eliminare completamente il rischio di contraffazione dei propri prodotti. Tale rischio, poiché le proprietà intellettuali sono tutte riconducibili ad Alpha S.p.A., grava su di essa.

Rischio di magazzino

Il rischio di magazzino fa riferimento alle fluttuazioni di valore del magazzino a causa di difetti, obsolescenze, perdite inventariali o variazioni dei prezzi di mercato. La Società è titolare del magazzino prodotti, pertanto il rischio di relativa obsolescenza è a carico della stessa. Al fine di minimizzare tale rischio, ciascuna BU tiene costantemente monitorato il mercato locale al fine di effettuare tempestivamente le modifiche degli ordini. Data la tipologia di beni commercializzati, non soggetta a mode o stagionalità, il rischio non viene considerato elevato.

Alpha GmbH sopporta il rischio di magazzino legato ad una non corretta gestione delle procedure e degli ordini. Si ricorda inoltre che non esiste alcun obbligo in capo ad Alpha S.p.A. di riacquisto dei prodotti invenduti nel mercato di destinazione di Alpha GmbH.

Beni strumentali utilizzati

Immobilizzazioni Materiali

È opportuno precisare che non vi sono beni strumentali coinvolti nella transazione in esame.

La consociata estera non detiene *assets* materiali di particolare interesse: il soggetto opera, infatti, tramite una struttura leggera, caratterizzata da pochi beni materiali a lunga durata, finalizzati per lo più alla gestione delle funzioni commerciali.

Le immobilizzazioni materiali della società italiana produttiva comprendono le strutture, comprensive di stabilimenti, giacenze di prodotti e attrezzature. La Società possiede inoltre altre diverse immobilizzazioni materiali di uso quotidiano, che sono richieste per le operazioni giornaliere.

<u>Immobilizzazioni Immateriali</u>

La voce "costi di sviluppo" include principalmente i costi sostenuti per lo sviluppo della nuova gamma di prodotti della divisione "Tech", la cui vendita è iniziata a marzo 2022. L'incremento dell'esercizio si riferisce ad ulteriori investimenti sostenuti per lo sviluppo della nuova gamma "Tech", presentate nel corso dell'anno.

La voce "diritti di brevetto industriale" comprende principalmente i brevetti industriali.

Le "Concessioni, licenze e marchi" comprendono i costi relativamente all'iscrizione del marchio Alpha e degli altri marchi di prodotto.

La società estera del Gruppo non detiene particolari immobilizzazioni immateriali.

c) Termini contrattuali

La Società ha in essere con Alpha GmbH, a decorrere dall'esercizio 2018, un contratto di distribuzione (cfr. *Intercompany distribution Agreement*) che disciplina i termini per la cessione dei prodotti finiti da Alpha S.p.A. a Alpha GmbH in coerenza con la *transfer pricing policy* vigente.

Il prezzo intercompany è calcolato in modo tale da garantire alla società tedesca un margine operativo congruo al suo profilo di distributore e in linea con le condizioni di mercato.

La società tedesca, infatti, oltre al costo d'acquisto dei prodotti, sostiene costi variabili di commercializzazione e costi fissi legati alla propria struttura. La marginalità derivante dalla cessione dei beni deve essere in linea con il proprio profilo funzionale.

I prezzi intercompany sono fissati dalle parti all'inizio di ogni esercizio, con la precisazione che, se dalle rilevazioni effettuate in corso di esercizio dovesse emergere che il margine operativo Alpha GmbH si attesta al di sotto del quartile inferiore o al di sopra del quartile superiore risultante dall'analisi di *benchmark* regolarmente predisposta, verrà effettuato un *balancing payment* da Alpha S.p.A., al fine di riportare la marginalità della filiale tedesca all'interno dell'intervallo interquartile di riferimento.

Le condizioni di consegna dei prodotti finiti spediti a Alpha GmbH prevedono la resa della merce DDP e il pagamento a 90 giorni data fattura. I ricambi, invece, vengono prevalentemente venduti con resa "*carriage paid by carrier*".

La valuta di fatturazione è l'Euro.

d) Condizioni economiche

Le circostanze economiche in cui operano i soggetti coinvolti sono descritte al Capitolo 1 del presente documento. Non si applicano ulteriori condizioni economiche specifiche all'operazione in esame.

e) Strategie d'impresa

Le motivazioni strategiche sottostanti i flussi della presente operazione sono da riscontrarsi nella volontà di Alpha S.p.A. di espandere il proprio business nei paesi geograficamente coperti dalla presenza della società controllata al fine di incrementare il proprio fatturato.

Per maggiori dettagli si rimanda a quanto indicato nel precedente Capitolo 1 del presente documento.

Variazioni rispetto ai periodi d'imposta precedenti

Nel corso dell'esercizio in esame, le principali variazioni delle condizioni economicamente rilevanti della transazione in esame rispetto al periodo d'imposta precedente sono riconducibili all'evolversi del conflitto Russo-Ucraino e degli avvenimenti bellici nella striscia di Gaza, con ripercussioni sull'attività economica della Società e del Gruppo. Tali avvenimenti hanno un impatto significativo sugli equilibri internazionali influenzando i rapporti geopolitici tra paesi, la volatilità di prezzo e la disponibilità di materie prime, con gravi conseguenze a livello mondiale, soprattutto a causa dei drammi vissuti dalle popolazioni coinvolte. In questo scenario di sofferenza per il commercio mondiale, l'inflazione sta vivendo una flessione a causa di un rallentamento della domanda, accompagnata dall'inasprimento monetario attuato dalle principali banche centrali e dal calo dei costi energetici.18 In tale contesto, nonostante la situazione avversa dello scenario economico globale, il Gruppo Alpha ha conseguito una crescita in tutte le divisioni e in tutti i mercati in cui opera.

Per ulteriori dettagli si rimanda a quanto descritto al precedente Capitolo 1.

2.1.3 Metodo adottato per la determinazione dei prezzi di trasferimento delle operazioni

a) Enunciazione del metodo prescelto e delle ragioni della sua conformità al principio di libera concorrenza

È opportuno ricordare che le Linee Guida OCSE sottolineano come la scelta del metodo deve essere guidata dai fatti e dalle circostanze sottese al caso specifico. In particolare, si deve fare riferimento:

- ✓ ai risultati emersi dall'analisi funzionale, identificando la *tested party* nell'impresa che svolge le funzioni economicamente più semplici da valutare (anche in termini di funzioni, rischi assunti ed assets impiegati);
- ✓ alla generalità delle informazioni cui il contribuente può avere accesso.

Va inoltre rilevato che, conformemente a quanto affermato dalle Linee Guida OCSE, la scelta del metodo dovrebbe rispecchiare, per quanto possibile, il processo interno di determinazione dei prezzi come concretamente implementato dal Gruppo al fine di evitare che un'analisi di *transfer pricing,* svolta per testare la coerenza dei prezzi fissati con il principio dell'*arm's length*, si discosti significativamente dalle analisi svolte per altre finalità e si traduca in un aggravio di costi.

Esclusione del *Comparable Uncontrolled Price* (CUP)

Il metodo del CUP si basa sul confronto del prezzo applicato a beni materiali e servizi oggetto della transazione tra imprese associate con il prezzo applicato a beni materiali e servizi trasferiti nel corso di una transazione comparabile con parti indipendenti sul libero mercato e posta in essere in circostanze similari.

Il metodo CUP può essere applicato sia alle transazioni "esterne" che "interne". Nel primo caso, il confronto è tra una transazione tra imprese collegate e una transazione

[18] Fonte: Relazione sulla gestione al bilancio civilistico 2023 di Alpha S.p.A.

comparabile tra imprese indipendenti (il cosiddetto “CUP esterno”), mentre nel secondo caso il confronto è tra una transazione tra imprese collegate e una transazione comparabile tra la società oggetto dell’analisi e terzi indipendenti (il cosiddetto “CUP interno”).

Per quanto riguarda la possibilità di applicare il metodo del CUP interno, è importante tenere conto del fatto che Alpha S.p.A. vende i medesimi prodotti sia alla controllata tedesca, sia a distributori terzi, italiani ed esteri. Nella fattispecie in esame le transazioni con soggetti indipendenti non possono essere considerate comparabili con quelle realizzate verso Alpha GmbH per l’esistenza di importanti differenze, quali:

- localizzazione dei mercati in cui operano le controparti;
- specifiche tecniche dei prodotti venduti nel mercato tedesco;
- tipologia di prodotti: Alpha GmbH vende solo prodotti a marchio Alpha, mentre i distributori terzi svolgono attività di distribuzione anche per i prodotti appartenenti ad altre società;
- strategie specifiche attivate per specifiche necessità commerciali.

Per tutte queste ragioni quindi il CUP interno non è stato ulteriormente preso in considerazione in quanto non si sono ritenuti esperibili aggiustamenti tali che potessero eliminare le differenze indentificate sì da rendere le transazioni comparabili.

Per quanto riguarda il c.d. confronto esterno, è da considerare che solitamente è molto difficile individuare il prezzo applicato nelle singole transazioni operate da soggetti indipendenti, in quanto questi dati non sono accessibili pubblicamente. Tale circostanza rende quindi non applicabile il CUP esterno.

Poiché non è stato possibile applicare il confronto di prezzo, né interno né esterno, si è ritenuto di effettuare una comparazione della transazione in esame attraverso l’utilizzo di un altro metodo contemplato dalle Linee Guida OCSE e dal Provvedimento. La scelta del metodo è stata effettuata sulla base delle informazioni disponibili e sul soggetto che presenta il profilo funzionale più semplice.

Parte oggetto di analisi

Uniformandosi alle indicazioni fornite dalle Linee Guida OCSE, nel percorso di ricerca che mira all'identificazione della metodologia più appropriata (*Most appropriate method*), l'analisi si è concentrata *in primis* sull'individuazione di quale tra le entità coinvolte nella transazione debba essere testata. Il soggetto, denominato anche *tested party* è quello cui il metodo di *transfer pricing* selezionato può essere applicato con maggior attendibilità nella transazione in esame (*covered transaction*), quello per il quale il processo di selezione dei *comparables* evidenzi risultati più affidabili e generalmente il soggetto la cui analisi funzionale evidenzia minor complessità. Tipicamente l'entità da testare è quella che, avendo una struttura di funzioni svolte, rischi assunti ed *asset* coinvolti più semplice, risulta meno complessa da analizzare, anche sulla base delle informazioni disponibili. In tale valutazione assume rilevanza l'allocazione tra le parti di eventuali *intangibles* la cui valutazione è estremamente difficoltosa e potrebbe causare l'individuazione di margini non affidabili.

Nel caso in esame la scelta della metodologia, pertanto, è stata determinata considerando Alpha GmbH, quale *tested party* in quanto la stessa presenta un profilo funzionale più semplice nella transazione in esame.

Indicatore del livello di profitto

Per un inquadramento generale si rinvia a quanto indicato al paragrafo 2.1.1, lettera c).

Alla luce delle considerazioni sin qui svolte, risulta preferibile una metodologia che si basi sui margini dell'entità coinvolta nella transazione controllata e quelli di imprese indipendenti presenti sul mercato, che abbiano una struttura di funzioni, rischi ed investimenti comparabili.

Metodi transazionali tradizionali

<u>Esclusione del Resale Price Method (RPM)</u>

Il RPM si basa sul riconoscimento di un margine necessario al rivenditore per coprire i propri costi (relativi alle funzioni svolte) e realizzare un profitto appropriato. L'utilizzo di questo metodo presenta come vantaggio quello di essere maggiormente svincolato dalle differenze del prodotto, che difficilmente influenzano i margini di profitto in modo sostanziale. In un'economia di mercato la remunerazione per l'espletazione di funzioni simili tende ad essere in linea a differenza di quel che accade per i prezzi che tendono ad essere allineati solo qualora i prodotti/servizi cui si riferiscono siano considerati sostituti.

È stata considerata la possibilità di applicare il metodo RPM attraverso il confronto interno: tuttavia, poiché la società Alpha GmbH acquista solo da Alpha S.p.A. non risulta essere possibile applicare un confronto interno.

Il metodo non è applicabile nemmeno attraverso il confronto esterno, ovvero attraverso la ricerca di transazioni comparabili effettuate da soggetti terzi indipendenti in primis in quanto non vi è la disponibilità di informazioni attendibili circa il margine lordo realizzato da terzi.

Esclusione del *Cost Plus Method* (CPM)

Il metodo del costo maggiorato è normalmente utilizzato nei casi che coinvolgono la produzione di beni o la prestazione di servizi che sono venduti/forniti a parti collegate, come nel caso di Alpha S.p.A. verso la società del Gruppo. Tuttavia, come già evidenziato, non vi sono transazioni interne effettivamente comparabili. Inoltre, anche il confronto esterno risulta inapplicabile, in quanto questo approccio presupporrebbe la disponibilità di dati relativi ai margini lordi delle transazioni dei soggetti comparabili che, però, non risultano essere informazioni pubblicamente accessibili.

Metodi transazionali reddituali

Esclusione del *Profit Split* (PSM)

Il metodo della ripartizione degli utili (PSM) viene utilizzato nei casi che implicano normalmente il co-sviluppo di beni immateriali, ove i profitti "residuali" attribuibili ai beni immateriali siano ripartiti fra due parti.

Poiché non sussiste alcun co-sviluppo dei beni immateriali fra Alpha S.p.A. e la società tedesca, si ritiene che il metodo in questione non risulti appropriato per analizzare la transazione in esame.

Scelta del *Transactional Net Margin Method* (TNMM)

Il metodo del margine netto della transazione (TNMM) è stato considerato quello che garantisce maggiormente la conformità al prezzo di libera concorrenza nella fattispecie in esame.

A differenza delle altre metodologie dove alla base della comparazione vi è il prezzo (confronto del prezzo o CUP) o i margini lordi di contribuzione (prezzo di rivendita e costo maggiorato), già descritti, nel TNMM il confronto riguarda i margini netti.

Uno dei vantaggi del TNMM è che il margine netto risulta meno sensibile, rispetto al prezzo utilizzato, alle differenze intercorrenti tra le varie transazioni: i margini netti possono essere inoltre più tolleranti verso certe differenze funzionali tra transazioni controllate e transazioni sul libero mercato, dei margini lordi.

L'applicazione del TNMM comporta inoltre la scelta di un adeguato indicatore di profitto (c.d. *profit level indicator* "PLI") utilizzato per verificare la redditività della *tested party* rispetto ai soggetti comparabili. Ai fini della presente analisi è stato scelto come PLI il margine operativo (OM) espresso come rapporto tra il risultato operativo ed il fatturato realizzato, in quanto è quello generalmente utilizzato per verificare la redditività di un distributore, quale risulta essere la società acquirente (distributrice) nella transazione oggetto di analisi.

b) Criteri di applicazione del metodo prescelto

Al fine di applicare il metodo del TNMM alle transazioni oggetto di analisi, è stato condotto uno studio finalizzato ad identificare società indipendenti che svolgono attività comparabili, in termini di funzioni svolte, rischi assunti e beni impiegati, a quelle svolte da Alpha GmbH.

I risultati di tale ricerca sono stati utilizzati per individuare un intervallo di valori conformi al principio di libera concorrenza, relativamente all'indicatore di redditività che è stato scelto per valutare l'adeguatezza della remunerazione per le prestazioni oggetto di analisi.

i. <u>Impresa associata da sottoporre ad analisi</u>

Come premesso, Alpha GmbH è stata selezionata come *tested party* in quanto all'interno di questa transazione presenta il minor grado di complessità funzionale.

ii. <u>Analisi pluriennale</u>

Le Linee Guida OCSE[19] specificano che: "*potrebbe essere utile esaminare sia i dati relativi all'anno in esame sia quelli relativi agli anni precedenti*." Pertanto, per tutte le società comparabili individuate che costituiscono il campione finale, la Società ha esaminato i dati di bilancio disponibili. Dati relativi a più anni sono stati utilizzati per valutare la *performance* di queste società nel corso del tempo e per cercare di ridurre gli effetti di eventuali anomalie nei risultati di un singolo anno.

L'intervallo dei valori conformi al principio di libera concorrenza è stato calcolato sulla base dei risultati finanziari delle società comparabili per gli anni dal 2020 al 2022.

iii. Rettifiche di comparabilità

Secondo le Linee Guida OCSE, "*le rettifiche di comparabilità dovranno essere considerate se (e solo se) ci si aspetta che incrementino l'affidabilità dei risultati*"[20]. A tal proposito "*è necessario tener conto della significatività della differenza per la quale si ipotizza un aggiustamento, della qualità dei dati aggiustati, dello scopo dell'aggiustamento e dell'affidabilità dell'approccio utilizzato per realizzare tale aggiustamento*" [21].

Con riferimento alla transazione in esame, non si sono rese necessarie rettifiche di comparabilità.

iv. Strategia di ricerca

Al fine di selezionare società comparabili alle *tested parties*, è stata condotto uno studio finalizzato ad identificare società indipendenti che svolgono attività comparabili, in termini di funzioni svolte, rischi assunti e beni impiegati, a quelle svolte dalle consociate estere.

E' stata condotta una ricerca, preparata per la prima volta con riferimento all'esercizio conclusosi il 31 dicembre 2021, mentre l'aggiornamento effettuato per verificare il rispetto delle condizioni di comparabilità del set selezionato per l'esercizio conclusosi il 31 dicembre 2023 ha portato all'identificazione di 6 entità comparabili, sia in termini di profilo funzionale che di tipo di prodotti interessati.

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[19] Linee Guida OCSE (2022), paragrafo 3.76.

[20] Linee Guida OCSE (2022), paragrafo 3.50.

[21] Linee Guida OCSE (2022), paragrafo 3.50.

Per ulteriori dettagli sul processo di selezione delle società comparabili sopra descritte, nonché sui risultati ottenuti, si rimanda allo studio in allegato.

v. <u>Intervallo di valori conformi al principio di libera concorrenza</u>

La seguente tabella riporta la redditività in termini di *OM (Operating Margin)* delle società comparabili per il triennio 2020-2022 e la media ponderata sul medesimo triennio.

Arm's Length Range	OM 2022	OM 2021	OM 2020	Media ponderata OM 2020-2022
Highest Observed Value	25,33%	23,20%	14,74%	20,43%
Upper Quartile	11,57%	10,02%	9,57%	10,37%
Median	10,11%	6,55%	4,90%	6,46%
Lower Quartile	5,07%	4,12%	2,28%	4,51%
Lowest Observed Value	4,60%	3,39%	1,18%	3,24%
Observations	6	6	6	6

L'analisi dimostra che nel triennio 2020-2022 le società comparabili hanno conseguito un *Operating Margin* che varia tra il 3,24% e il 20,43%, con un intervallo interquartile tra il 4,51% e il 10,37%, con una mediana del 6,46%.

2.1.4 Risultati

Nel periodo di riferimento, nell'esercizio chiuso al 31 dicembre 2023, Alpha GmbH ha realizzato un'*Operating Margin* pari all'8,21%, come evidenziato nella tabella seguente:

Alpha GmbH	2023
Revenues	16.310.141
Operating costs	14.943.058
Other income	28.020
Income before taxes	1.339.063
OM %	**8,21%**

Fonte: Bilancio 2023 di Alpha GmbH – Valori espressi in EUR

La marginalità operativa netta conseguita da Alpha GmbH si posiziona all'interno dell'intervallo di libera concorrenza determinato da parti indipendenti. Si può pertanto concludere che i prezzi applicati nella cessione di prodotti finiti da Alpha S.p.A. a Alpha GmbH nell'esercizio 2023 sono avvenuti a valore di mercato.

2.1.5 Assunzioni critiche adottate nell'applicazione del metodo scelto

L'applicazione del metodo selezionato per analizzare i prezzi di trasferimento della transazione in esame non ha richiesto l'adozione di specifiche assunzioni critiche ovvero elementi di analisi dei quali non si sia data trattazione nei precedenti paragrafi.

La Società si rende comunque pienamente disponibile ad assolvere eventuali richieste di documentazione ulteriore specificamente riferita alle transazioni di cui sopra.

3.3 Prospetti di sintesi dei dati finanziari rilevanti per i soggetti comparabili utilizzati nell'analisi e fonti da cui questi sono stati ottenuti

Come richiesto dal Provvedimento, si forniscono in seguito i prospetti di sintesi dei finanziari rilevanti delle società comparabili utilizzati nelle analisi dei prezzi di trasferimento delle transazioni 2.1 e 2.2.

<u>European Distributors of Cars' components</u>

La tabella seguente riepiloga i dati finanziari rilevanti delle società comparabili impegnate in attività di distribuzione nel mercato europeo individuate attraverso l'analisi di benchmark.

Company name	Turnover th USD 2022	Turnover th USD 2021	Turnover th USD 2020	EBIT th USD 2022	EBIT th USD 2021	EBIT th USD 2020	OM 2022	OM 2021	OM 2020	Media ponderata OM 2020-2022
Beta Company S.A.	115.297	130.322	102.024	3.153	6.043	1.612	2,73%	4,64%	1,58%	3,11%
Gamma & Co. Ltd	1.788.122	1.405.911	904.263	100.751	57.892	29.404	5,63%	4,12%	3,25%	4,59%
Delta Europa S.A.	3.991.493	3.243.133	3.452.277	453.222	350.558	377.779	11,35%	10,81%	10,94%	11,06%
Omega S.p.A.	30.553	35.103	16.566	2.105	2.002	1.055	6,89%	5,70%	6,37%	6,28%
ZETA INC	7.399.344	6.750.133	5.066.328	802.663	624.233	366.550	10,85%	9,25%	7,24%	9,33%
Sigma S.p.a.	22.121.116	19.119.512	12.456.030	1.500.302	955.427	515.611	6,78%	5,00%	4,14%	5,53%

Arm's Length Range	OM 2022	OM 2021	OM 2020	Media ponderata OM 2020-2022
Highest Observed Value	11,35%	10,81%	10,94%	11,06%
Upper Quartile	10,85%	9,25%	7,24%	9,33%
Median	8,87%	7,48%	6,80%	7,81%
Lower Quartile	6,84%	5,35%	5,25%	5,91%
Lowest Observed Value	6,78%	5,00%	4,14%	5,53%
Observations	6	6	6	6

Questa ricerca è stata preparata per la prima volta con riferimento all'esercizio conclusosi il 31 dicembre 2021, mentre l'aggiornamento per verificare il rispetto delle condizioni di comparabilità del set selezionato per l'esercizio conclusosi il 31 dicembre 2023 è stato condotto utilizzando il database Orbis versione software 130 dicembre 2023.

I dettagli relativi alla strategia di ricerca ed i relativi risultati sono contenuti all’interno dell’analisi di benchmark allegata al presente documento.

Appendix B: Transcriptions of Transfer Pricing Professionals' interviews

Transcript of "Interviewee 1"

Interviewer: What are the most common misconceptions companies have about transfer pricing when do they turn to transfer pricing professionals? And what are the main factors that influence the choice of transfer pricing method in a company? And the most common trade-offs they face?

Interviewee 1: Frequent equivocations are the understanding of methods, meaning when you tell them a distributor must earn the right amount, it's never too clear as a concept. So, expectations about results and the application of methods, not knowing the methods, they don't know what to expect and maybe the other biggest misunderstanding is when you have a non-managerial subject who perhaps knows transfer pricing and therefore expects a certain result, but you are facing the entrepreneur, so you are sometimes at a bit of a level of a smaller company. He tells you the results they make over there doesn't interest me. I made the same price I would make to another person; in his head he is doing it correctly. Then this doesn't match the methods, with the results of the methods. And the other very frequent aspect is when you present the benchmark, so you say these are Asian distributors, they tell you I don't even know one, I don't know what you are talking about and if they start looking at them one by one, they tell you "Not even one is good." Then you have to explain to them what the perspective is in reality and so once you have explained the perspective to them, they tell you "Okay, then do as you want, more or less."

Interviewer: Okay, clear. And how do transfer pricing professionals collaborate with company representatives and CFOs to align transfer pricing strategies with overall corporate financial goals?

Interviewee 1: When you find a CFO who understands you, it's actually a bit him guiding you and telling you where his needs are, and you then adapt the policy if he asks you to, so it's more by making projections if you want. Here, this is the activity that one can do in favor of the CFO when he asks you to improve something.

Interviewer: Okay. And how do geopolitical factors (e.g., trade tensions, tariffs) influence transfer pricing strategies?

Interviewee 1: Yes. It's just that in most cases we move with a delay. Meaning, so you ask me what impact Trump's tariffs have, or for example, something that happened now, or even Covid a few years ago, they will have an impact, but knowing how much, how, in what way, we always have to wait a couple of years. So, how to say, unfortunately you move, you understand that something will happen, but you don't understand how much it will impact or if it will have a significant weight, who knows. Yes, you understand that it's there, but you don't understand how much it's worth.

Interviewer: And instead, How is transfer pricing linked to performance-based executive compensation? Does transfer pricing have a huge impact internally in large companies with several divisions?

Interviewee 1: The issue always arises when you implement a policy that involves adjustments, for example, in which you standardize results, at that point there is the issue of evaluating local managers. You have a Sales Division or a commercial company whose results you standardize and they are always evaluated on the result, and there you have to address the issue by finding a solution that makes sense for them, which is usually to sterilize the adjustments, in short, here, then these things happen, but you simply find a solution, it's not that you avoid implementing it because, meaning, it's the reason for the initial resistance, right? Let's not do it because otherwise I don't know how to measure the manager, the manager complains etcetera etc. So, since these remuneration logics then have to be changed, there is a moment of resistance, but then, in short, it's done.

Interviewer: How do companies balance financial performance objectives with transfer pricing compliance, and what role do profitability indicators play? And have you observed significant differences in transfer pricing strategies between private and publicly traded companies?

Interviewee 1: What I was telling you before, in my opinion, the larger ones have managers who adapt quickly to the policy that you are recommending. And they don't care a little, so to speak, meaning they say, "Well, that's how it's done, it's done like that." Instead, the smaller ones are more like an entrepreneur who tells you, "No, meaning, convince me more of this thing, of this method, right?" Meaning, they are more difficult to convince of the fact that they must move to adjustments or to standardize results in fact.

Interviewer: Okay. Instead, how has digitalization and automation impacted your day-to-day work in transfer pricing? How are skillsets changing?

Interviewee 1: From how we do it, I think little right now. We still do everything very much custom-made. Because otherwise we risk losing being too comparable to others and therefore losing grip, I don't know, on the market, let's say. Perhaps on the benchmark analysis part and the activities that are done elsewhere, something has been standardized and theoretically sped up. For the rest, I don't think there is a very large use of tools other than the mind, in short. Here, I hope so at least.

Interviewer: Okay. And do you believe that transfer pricing will be more automated in the future, or will regulations become even more complex?

Interviewee 1: Both things, meaning there will be the standard of what has been done for 10 years, but meanwhile the rest moves forward, so I don't know, think about standardizing the document, but in reality Pillar 2 comes into effect, you have to calculate it and foresee it especially, meaning it will be more of a work of maybe what you have to report as a document, maybe something you standardize, what you have to govern as a future activity you have to do only with your mind.

Interviewer: What are the most resource-intensive aspects of transfer pricing documentation, and how do companies optimize their documentation processes?

Interviewee 1: Recovering client information in the right way. Only this. Meaning, we waste so much time because they give you part of it, they give it to you badly, you review it, you take it back, you let go, you wait, you take it back, you try again, you let go, you wait, that's where you waste so much time. If it arrived all at once, all correct.

Interviewer: What are the main obstacles in implementing a consistent transfer pricing policy across different jurisdictions? How do multinationals manage transfer pricing in context of regulatory uncertainty or frequent legislative updates?

Interviewee 1: It's more a matter of coordination. Usually when you propose a transfer pricing modification, you have to convince everyone that it is the best solution, both headquarters and all subsidiaries. It's not enough to just impose it. At that point, you waste time explaining it to everyone. You do it with different time zones, you repeat it many times, but well, it's part of the package.

Interviewer: What are the most critical areas to monitor to avoid disputes with tax authorities? In which areas do tax authorities focus on their transfer pricing audits?

Interviewee 1: At the moment, audits focus more on benchmark analyses because they are the most subjective parts, not because they are the most difficult, in fact they are simpler, but okay, precisely because they are simple and subjective, subjective, so they are easy to discuss. The areas to be much more careful about, instead, are the financial and material part, the management of material assets, of all assets, and the financial part, when you start putting in loans, cost sharing, you start getting a bit lost, in my opinion, precisely, meaning you start getting so deep into the analysis that you never take a step back to understand yes, but the money, meaning the money how does it flow precisely because every now and then both we and the auditors should look a bit more at the actual cash flow, meaning where the money comes from and where it goes, because it's interesting.

Interviewer: Okay. And the last question, based on your experience, where do theoretical transfer pricing principles (OECD guidelines) fail to address real-world challenges in multinational operations?

Interviewee 1: The guidelines cover everything, in my opinion, but without giving a clear indication because they cannot do it, because they apply to everyone and therefore it's a bit difficult where to go, and therefore the final part of each concept is missing, right? The practical part that you put down. Sometimes there are examples that are very useful because you follow the example, and you go on autopilot. There are many examples that are missing, so to speak. Here, a part that is certainly missing is the benchmark part, precisely. Now they are doing it with Pillar One. In which they tell you what the remuneration of a distributor should be, but once that is done they should also tell you that of the producer and also, I don't know, the royalty of a brand, period, right? Meaning, finding anyway a point where all discussions end because they are completely useless.

Transcript of "Interviewee 2"*

Interviewer: So, the first question is: what are the most common misconceptions companies have about transfer pricing when do they turn to transfer pricing professionals?

Interviewee 2: Good question, beautiful, simple. First of all, the main starting point is that it is a subject that can be completely ignored, where companies can do a bit as they please. Secondly, this perhaps is a distortion that is implicit in the subject, which doesn't derive so much from a lack on the part of companies, but sometimes from a lack on the part of the discipline, that some fiscal logics of the transfer pricing matter are not entirely concomitant with the economic business logics, so some mechanisms that from an economic point of view make sense and have solid logic even internally from the point of view of the transfer pricing discipline don't make much sense, so let's say that perhaps misconception is a broad word and sometimes, let's say, perhaps not the most adherent to the context because ultimately the logics of transfer pricing are quite simple, right? Avoid that there is a shifting of tax bases between jurisdictions that is not aligned with the actual value contributed by the parties of the group. Meaning the logic itself is almost trivial. So, it is clear that conditions that two subjects or independent subjects would have agreed upon are approximated. So, it is clear that the logic is quite intuitive at its base, right? So, at the base of this logic, however, there are physiological discrepancies that for reasons of rationalization, simplification, effective implementation of the discipline are not adequately replicated or replicable in the real world, in the business world. So, it all stems from there, perhaps a misalignment of these two disciplines. I am obviously speaking to you at the level of general logic, so about the practical implementation, not about everything else, not about the compliance part which, in short, has little to do with the logic of transfer pricing, that is a somewhat more mechanical part, but precisely about the nature of the relationships between companies.

Interviewer: Okay. The second question. What are the main factors that influence the choice of transfer pricing method in a company? And the most common trade-offs they face? And how do transfer pricing professionals collaborate with company representatives and CFOs to align transfer pricing strategies with overall corporate financial goals?

Interviewee 2: It is also connected to the previous one, right? Let's say that the transfer pricing method is not a company's choice, right? Meaning the company's choice is economic and is made upstream, it is often dictated also by a family, by an entrepreneur, by managers, right? So, internal economic choices are made within the company. It is transfer pricing that follows the company, it is not the companies that follow, that adapt to transfer pricing in most cases. So, when we talk about choosing the method, that is something, let's say, that is planned a bit, but which is a response of taxation to the business, so okay? It is clear that in practical experience you ultimately reach the point of saying, "Okay, all the reasoning that is done internally to define intercompany relationships has business logics or must follow certain business logics, manager incentives, price lists, quality control of raw materials, anchoring of goods to procurement purchases, tracing of the bill of materials, efficiency of production phases, incentivization of some commercial activities, marketing support, intertwining of goods and services," so all logics that obviously do not only respond to fiscal needs, but are alive, are inherent to the company's apparatus. On the back of this, it is clear that the objective is always what we said before, meaning avoiding profit shifting, meaning that tax bases or profits, let's say, are ultimately transferred or maintained between one jurisdiction and another. So, it is clear that in the end, the most used methodologies are always those that go directly to the murderer, so to speak, and look at the profit actually achieved by the companies, profit understood as operating income. Here there is a bit of a short circuit between international and national, but oh well. So the most used methods in the end are those that look at the operating result of a transaction, of a counterparty, and it is clear that the compromise is there, the compromise that companies find themselves having to face, meaning we have a whole series of internal reasonings that are sometimes not even exposed to the consultant for everything I said before, add to this also trade secrets, prohibition of disclosure of information, protection of sensitive information, non-disclosure of general or future strategies by the entrepreneur or shareholders, let's say, of the board or whoever makes decisions. And the compromise is always the same, meaning we have a whole series of internal rules, of much, much more complex internal mechanisms that we streamline and simplify in order to implement an almost trivial relationship that stops where I generate operating income, where I do not generate operating income. So, this is the biggest compromise that companies then have to face. So, reaching an extreme simplification of everything that is the business mechanism, the business world, and implementing it with a simple comparison of operating results.

Interviewer: Okay. Instead, the next question. How do geopolitical factors (e.g., trade tensions, tariffs) influence transfer pricing strategies?

Interviewee 2: It's clear that the geopolitical context influences the life of a business in every phase. And here again, the word from before always comes into play, right? So always the compromise, meaning the life, the strategic decisions of businesses are certainly not made for the purposes of transfer pricing. Transfer pricing generally follows, so geopolitical choices, changes influence business decisions, strategic business decisions, but it is certainly not for the effects of transfer pricing that in most cases a response is given in one way rather than another, meaning there is always an underlying business logic that guides transfer pricing, it tries to adapt in the most effective way possible. Where effective in this sense is obviously always the general concept we discussed before, what would have happened in the market, let's call it in the free market, which is a somewhat misplaced term, but what would have happened between independent third parties in a comparable negotiation, in a similar situation? So geopolitical choices influence the reaction, let's say they influence the range. We can put it this way, in my opinion, they influence the range of choices or decision-making evaluations of the business, and consequently they are reflected in the range of options according to the transfer pricing logic that the business entrepreneur can follow. So, they go hand in hand, but it is more the business context that influences transfer pricing choices. And it is the range of economic options of businesses that changes the cards on the table and influences the range of responses, so business questions, transfer pricing responses. I see it a bit like that. Recent interactions are, for example, on tariffs, very often you go to the client, you go to a client, you tell them, "Well, the goal is, for example, the United States, you should have a factory there." And many times, the client tells you, "Well, but those are our decisions, I mean, I don't know if I can be vulgar in this recording, but thank you very much, I should have business there, I should have a production plant there. Okay, thank you for telling me, but that is a business decision and that is also at times a political decision." The transfer pricing responses are, besides the obvious things like opening a factory in the United States, what can I do in reaction to these things, so how can I best manage my current structure, how can I evolve it into a response that works for me as a company and that also follows or minimizes exposure to potential fiscal risks that result from these actions of mine. So, it goes from a decision-making process logic, internal decision making to a tendency towards risk management logic, so risk management, more than impact on the real business decisions that often are not guided by transfer pricing. Then on this, a separate chapter could be opened on what is a bit the European approach, where the

European approach is a bit softer, the American or other countries' approach is much more aggressive, meaning business restructurings guided by efficiency logics, including fiscal efficiency, are commonplace in certain markets. Look at the Americans, sometimes also the Chinese, meaning if I do this operation, I can have an efficiency in the group's tax rate by one point. So I propose a solution that involves moving companies, moving people, moving activities, moving everything because it has a benefit for the group which in a certain way is done a bit less in Europe today compared to what others do, other types of markets, understood as the parent company in other types of jurisdictions, but if we want in a certain way you could also say that it is still a business logic because some CFOs, some top figures in some international realities have internal objectives which are, for example, to lower the group's effective tax rate. So the objective given to them by the business is, yes, you don't have to follow compliance, you don't have to check the boxes, but you have an objective that I as the business ask you to achieve, which is to make the use of financial resources more efficient and ultimately the fiscal impact at the group level. What can I do to achieve this objective which at this point becomes a business objective? So, the circle closes a bit, in my opinion, on this, a bit on the various responses that come from in this case. Then, in short, there is also sometimes a bit of, in short, there are also political responses, practical responses. I don't know if you have seen, Nvidia said it will open a factory in the United States. As a clear political response, but what does it cost Nvidia to open a factory? How much will it weigh? How much will it produce in the United States; how much is marketing? How much is it to look good on the US side? So it's clear that there are very complex intertwining factors, economic, monetary, financial, and let's say that transfer pricing really arrives, I wouldn't say at the last of these steps, but it perhaps arrives almost at the last of these steps where in reality many of the previous evaluation steps are inherent to business choices, but it is certainly among the first, if not the first, among the factors external to business choices, so among the factors that are not inherent to the life of the business, probably transfer pricing is the first, but it is not the first in absolute priority.

Interviewer: Have you observed significant differences in transfer pricing strategies between private and publicly traded companies?

Interviewee 2: Yes and no. In the sense that it depends a lot, in my opinion, on size factors, risk propensity, and also sometimes the interference of the, let's call it entrepreneurial, in the life of the company. I have seen listed companies, well-structured, with all the credentials to formalize, prepare all the compliance they needed, where anyway the final decisions, at least in transfer pricing matters, were still taken in a closed box by a few people at the top, and instead listed companies where obviously there are very different logics and much more, let's call it, reactive to the behaviour of administrations and also much more proactive, and listed groups that follow a bit the dynamics of private groups where a few figures at the top make the key decisions and tendentially behind closed doors and with a much less open approach to external imposition or at least even to external suggestion, which is a bit my answer to what groups do, let's call them with an entrepreneur behind them, and listed groups instead that follow very different logics of planning, dialogue, risk minimization, structuring and dialogue with administrations in general, so there are a bit of everything. Here, then I'm talking about the Northeast panorama, both controlled and controlling companies, and let's say that probably, in my opinion, it is the size thresholds that make the difference, although to see a much more open approach, I reasonably believe you have to go up quite a bit in size. So in Italy, probably the entities that have this approach can be counted on the fingers of one hand, in the sense that we are talking about very large groups that have a much, much more open approach, so at least above 4-5 billion, paradoxically then at a global level, in short, you've also seen it, in your experience here at the level of attacks in the world, they are anyway more scrutinized groups because obviously we are talking about significant numbers.

Interviewer: Okay. So, instead, how has digitalization and automation impacted your day-to-day work in transfer pricing? How are skillsets changing?

Interviewee 2: This is a good question. In my opinion, it should impact it a bit more. Okay, at the moment, perhaps not as much as it should be, as it appears, also due to choices, if we want, also due to team choices, structure, here, so in always valuing, trying to value people, but it is clear that the evolution of the tools available, understood as artificial intelligence, technological resources, and so on, are, in my opinion, moving more and more towards a substitution of some roles rather than an integration. So, in daily work, it is clear that the objective is to integrate further support into existing skills, but I see it as somewhat substituting something or someone, rather than merely integrating, so integrating into some figures the skills of others.

Interviewer: Okay. And do you believe that transfer pricing will be more automated in the future, or will regulations become even more complex?

Interviewee 2: Automated. Completely automated. Meaning benchmarks, documents, and compliance, in my opinion, even today it's just that, in short, there are no wills and no tools, meaning even today you should be able to do them with a click. Meaning these are the data, this is the representation. One click gives me the analysis, one click gives me a report. Okay? Well, for me, that will happen soon, it must happen. And then you dedicate yourself to more demanding things. More delicate things, meaning you try to build a different relationship with clients and talk about higher things.

Interviewer: So, the next one is, what are the most resource-intensive aspects of transfer pricing documentation, and how do companies optimize their documentation processes?

Interviewee 2: The most resource-intensive processes, the most resource-intensive process at times, meaning what I believe is uniquely the most resource-intensive process is the collection and analysis of information, which is a bit the wall that also exists in automation, in standardization, in everything that goes behind it, meaning technology, artificial intelligence works great as long as it has the information. The costly process is always collecting and understanding the information. So, once the information is obtained, it should be done with a click, but the process, in my opinion, is always the most resource intensive.

Interviewer: Okay, what are the main obstacles in implementing a consistent transfer pricing policy across different jurisdictions? How do multinationals manage transfer pricing in context of regulatory uncertainty or frequent legislative updates?

Interviewee 2: Well, let's say that the processes are always a bit the same, meaning you document everything, collect everything, keep everything, and explain everything. It is clear that the trend should always be to seek preventive dialogue with administrations to achieve a degree of certainty, so agreements, preventive dialogue, rulings, and ex-ante planning of everything that goes behind, that is then only formalized in the documentation process. Meaning the document is a photograph of something that has already happened. If what has already happened, you have kept it in secret rooms and the photograph turns out you are photographing something that has already moved. So, in such a context of uncertainty, what has always been seen over the years or is becoming, has become and is increasingly becoming widespread is a premium paid for the certainty of the treatment of certain cases. So, the more preventive certainty you have, the better. And it is clear that you only achieve this through agreements between the various administrations, then between the various administrations and taxpayers. Then, it is clear that the uncertainty is not guided, in my opinion, by regulatory change, meaning regulatory change is only the volitional expression of a political change, so political and economic, so it is not the norm that changes, it is not the changing of the norm that generates uncertainty, but it is the will that underlies the change in the norm. So, if there is a will to change an approach on the part of a jurisdiction, of a state, of a set of countries, of a union, it is clear that this cannot but be reflected in equal uncertainty in the practical implementation of things. So, you anyway reach a certain point, meaning look at what is happening, we have talked about it several times with Amount B, meaning the logics of Amount B of defining predetermined results for marketing and distribution activities are not a change, it is not the regulatory change that drives uncertainty, it is the will of the countries involved to change some logics, and it is, moreover, in a scattered and disunited manner. So, it is clear that it is not the changing of the norm, but it is the will underlying the change of the norm. As long as the wills of the various jurisdictions are misaligned, the norms go hand in hand, and therefore there is uncertainty that at times is almost unsolvable, and at that point you return, as we said at the beginning, to those risk management logics that once again follow the business. So, the business goes its own way, makes its own reasoning in a context of geopolitical uncertainty that then expresses the will of the countries in regulatory implications, and the response is through risk management which is undoubtedly part of transfer pricing activity, and which is then captured in the documentation processes and in dialogues with administrations.

Interviewer: Okay. So, what are the most critical areas to monitor to avoid disputes with tax authorities? In which areas do tax authorities focus on their transfer pricing audits?

Interviewee 2: Well, here I think we are closing the circle with what we were saying before, right? Meaning ultimately the subject of transfer pricing is the correct allocation of profits among the various jurisdictions, so in one way or another the administrations that, so on the level of income that is retained by a resident entity rather than transferred or maintained by the non-resident entity. So, the disputes are always in general on this type of reasoning, so reasoning that looks at the operating result in one country rather than in another counterparty. Italy then obviously has its own world apart in which, alongside this, it adds disputes of any kind on services, so on the deductibility of some services, okay, on the correct valuation of financial operations, so that set of things that are connected, meaning ideally, therefore, disputes and first-level disputes and attacks on the operating result in one country rather than in another, with various nuances. On a second level, cost components are allocated in one jurisdiction rather than maintained in the other jurisdiction. So not just the reasoning of result, but also how you arrive at that result and what specifically makes up the cost component of that result, with implications for deductibility or not. Secondly, everything that is below the operating result, so financial management. And thirdly, everything that then derives as a corollary from this, so classification of transactions, transfer of value from jurisdictions for extraordinary operations, for transfer of IP, for qualification of service flows rather than royalties and any withholding taxes to be applied or not applied. This is a bit of the line they follow.

Interviewer: Okay, now very last question. Based on your experience, where do theoretical transfer pricing principles (OECD guidelines) fail to address real-world challenges in multinational operations?

Interviewee 2: I would say almost everywhere, in the sense that the OECD guidelines and also all transfer pricing reasoning arise from a need for simplification, meaning the real world is much more complex than what appears in the OECD guidelines, right? And also, the various regulations, the sectors in which multinational groups operate are the most disparate, the most complex, and the most variable, let's say, possible. It is clear that compiling a compendium of any 5-600 pages that covers all possible cases and reconciles the vision of all OECD states, but ultimately also of the world, on how all possible and imaginable cases should be treated, is clearly impossible, right? So the logic of simplification that requires the exercise of internationalization that the OECD has been trying to do, has done, continues to do, but not only the OECD, because there is also obviously, we haven't talked about it, but there is a sort of war between international organizations in which the United Nations is trying a bit to take on a role compared to the OECD on the role, here, of main directive and main, improperly defined, guideline on international logics and the treatment of international cross-border operations. So, even at a level, even at a level of interlocutor or let's call it principal bridge of international practice, there is strong uncertainty. So, it is clear that this connects to what we were saying before, uncertainty reigns supreme, simplification is a necessary exercise that must be done to put everything together. It is obvious that simplification in uncertainty, simplification in uncertainty, is not, it is not a match made in heaven, and it has the right ingredients for a disastrous recipe. So, all international practices try to simplify logics to provide uniformity and guarantee fair and consistent treatment to the various taxpayers within multinational groups. To do this, it must put together clear, simple, and usable rules. Clear, simple, and usable rules struggle to adapt to a world that is increasingly complex, intricate, and intertwined, and that goes a bit against the trend of simplification. So, if we want, this is a bit of synthesis, meaning there are many, many points where practice fails to grasp the evolution of business, but probably at the same time it also lacks the right tools, and I don't know if it ever will, to respond concretely to this misalignment. Especially because we go back to what we said before, uncertainty arises from a different political and economic will of the various world powers, so it is difficult to get everyone to agree and there is not even the will to agree. So, it is clear that something that tries to simplify to get everyone to agree in a world where not everyone agrees has failed from the start, right? Yes, certainly. So, this is a bit the point where international practice today fails, but probably also cannot compensate for the lack of agreements between the various economic powers because there is no will agree. Okay? So, if you start from this premise, you have to get two people who don't want to agree to agree. Replace people with jurisdictions, countries, unions, states, economic blocs, and it is clear that if they don't want to agree, they will never agree. So, the OECD is in the middle of these, it is in the middle of the disputants, and it does not have, it does not have elements to substitute itself, here, for what is. Anyway, exclusively to states and you see this also in the European Union where we all agree a bit more than in other economic blocs, but the taxing power is not union-wide, so not even at the European level have we managed to reach an agreement or a will to follow the same directives. A directive on the treatment, a transfer pricing directive, was proposed, so giving a directive to uniformize the regulations, the transfer pricing treatment in the European Union, stopped, rejected, stopped there for several years, there was a proposal for a regulation on the consolidated common tax base, so a common consolidated tax base at the European level, so that everyone would agree fiscally. Years ago, we stopped there, rejected there, so not even among us who are neighbors have we managed, after 80 years of the European Union, to agree. Imagine putting in the United States, China, India, Japan, Africa, South America, Russia, the Middle

East, Central States, put it all together and you understand that it is impossible. Common rules, common logic today are impossible. So, the OECD finds itself in a grey area which is a sort of common interpretation of some rules that are not common to them. Here, so interpretation of forms at times.

*** Due to time constraints, question number 5 and 6 could not be answered.**

Transcript of "Interviewee 3"

Interviewer: Okay, the first question is: what are the most common misconceptions companies have about transfer pricing when do they turn to transfer pricing professionals?

Interviewee 3: The points are complexity, costs, and the fact that they still associate transfer pricing with a concept of tax planning, whereas the complexity with today's tools and with very low costs, in my opinion, these are all things that are easily manageable. I'm thinking of the issue of managing year-end adjustments, managing mid-year adjustments, modifying the pricing policy, these are all things that any company can do today if it has a minimum of dedicated resources. But you don't need resources dedicated to transfer pricing, any company, management control can do these things, so it's not complicated. It has nothing to do with tax planning, because today transfer pricing is more about respecting, let's say, the equity of the tax bases among different countries and therefore I don't see reasons why there should be problems or difficulties related to tax planning activities, and in my opinion, the general problem is a bit the lack of knowledge, so the difficulty they have is that they interact with people who, I see it even with clients we have been following for years, after 10 years, despite being top functions in the company, they still haven't understood what transfer pricing is, so the issue is perhaps cultural and of technical preparation.

Interviewer: Okay. What are the main factors that influence the choice of transfer pricing method in a company? And the most common trade-offs they face?

Interviewee 3: Well, in my opinion there's a premise, in the sense that transfer pricing, as the OECD guidelines also say, must follow the business, it is not the business that must follow transfer pricing, so in choosing the method you need to look at how the company reasons. So, the main factor is collecting and that's what you do in the functional analysis. When you first meet a company and you go to do the functional interviews to understand how they work with a view to improving the policy, the issue is, "Tell me who you are, tell me what you do, tell me how you do it," because the transfer pricing method, where possible, must follow the company's pricing policy. This clashes, and we arrive at the compromises, with some de facto realities where many companies, if you ask a producer how they make prices, they tell you, "Well, I go cost plus, I know what my bill of materials is, I know what my production cost is, I apply a markup to it and for me that's the price, I put a cost plus 20%, cost is my price." And it's clear that then when you apply the transfer pricing method, to analyze third parties to verify that this is correct, what is the margin that third parties apply in the market to use them as a benchmark. It's difficult to understand what their base costs are, what their bill of materials is, what their costs are, what markup they apply, so using a cost plus is sometimes complicated and so you go for a compromise and we see the compromises precisely on the net margin and so you go to analyze the net margin always on costs, so a net cost perspective, but it's a compromise because it's not what the company does. But it's clear that it is, precisely, a compromise because I don't use a completely different method, but I try to follow the company's logic by selecting among the methods the simplest one possible. And in this sense, it's clear that you follow a bit the hierarchy of methods, but in practice, resale price and cost plus are difficult to use, so the factors that influence the choice are, question one, what you do intercompany, do you also do it with third parties or are there third parties who have your exact same product? So, can I apply a CUP, which is the main method, or not? If the answer is no, then you tend to say, "Okay, tell me about your internal pricing policy," so you go cost plus, you go resale when you determine prices. If the company goes cost plus, you tend to end up, for reasons of interaction with the Revenue Agency, on a method that looks at the net margin based on costs. If they go to the resale price, you will look at the net margin based on revenues. This is more or less the compromise you reach in the end.

Interviewer: Okay. How do transfer pricing professionals collaborate with company representatives and CFOs to align transfer pricing strategies with overall corporate financial goals?

Interviewee 3: This is an excellent question. It really depends, it really depends on the companies, meaning in many companies there is a close collaboration with the CFO and the way this happens is constant interaction, because the CFO is the one who has understood that transfer pricing is not a fiscal discipline, but an economic discipline that has fiscal implications. So, I can, using transfer pricing, modify the margin, the profitability of the various companies around the world. This has fiscal implications, of course, because even simply based on tax rate differentials, while respecting the regulations in all countries, I can achieve very significant tax savings, but by aligning the remuneration of companies or modifying it, I can also obtain financial results, so not only economic, but for example, bringing cash to companies that don't have cash, reorganizing intercompany flows, thus reorganizing payment terms. I can bring companies that need cash to have cash, to optimize financial flow, the payment of taxes. International procedures can allow me to mitigate the financial effects of any tax audits. Therefore, there is continuous collaboration, and I would dare to say that the beauty of transfer pricing is that for the CFO, we are somewhat the link between the tax function and management control. So much so that in practice, in some companies, we work by interacting with the Tax Manager, in other companies, by interacting with management control, depending on which function is more capable of handling the numbers we need for transfer pricing. So, for many CFOs, we are somewhat the ones who put the two pieces together for them, who put management control and tax together to give them a solution that is aligned from an accounting, accounting point of view, meaning management control, but also that is then efficient from a fiscal point of view.

Interviewer: How do geopolitical factors (e.g., trade tensions, tariffs) influence transfer pricing strategies?

Interviewee 3: Without going into particular situations, because extreme particular situations are typically those that also have extreme solutions, meaning Covid, the forced closure of some countries lead to saying, "Look, Denmark decided to close all factories, so they went into loss. Since it was the decision of the Danish government, they keep the losses, period, end of story." So, more than the extreme solution, perhaps I would look at geopolitics in general, meaning the concept of country risk is a concept that is very present in transfer pricing, because setting transfer prices and operating with an entity based in Brazil or in Turkey today, where the Turkish lira is in a phase of continuous devaluation, certainly entails choices in the structuring of intercompany transactions, but also in the application of transfer pricing methods that take into account the currency trend in

Turkey, the inflation trend, because this causes, the Turkish lira devalues significantly. So, if you have an entity that sells in Turkish lira, that sells to you in euros, but that incurs personnel costs in Turkish lira, it is clear that the more the euro strengthens and the Turkish lira devalues, the less its personnel costs will be worth compared to what it collects in euros, and thus margins explode. So the objective here becomes, let's normalize the margin to take into account the effect of hyperinflation and the devaluation of the lira by saying. So, this is a geopolitical concept that, if you will, is recurring because you do it as an adjustment on countries that have it more or less as a characteristic. As for instantaneous geopolitical factors, this influences transfer pricing strategies in the short term, actually mostly in the medium term, because it forces you to rethink the supply chain and the value chain. So, Trump introduces tariffs in the United States. Is it convenient for me to continue using my American entity as an importer or do I eliminate the flow and then resell in Canada, or is it convenient for me from Italy to export directly to Canada and thus dismantle the American entity for the part it had of B2B distribution maybe and where it sold to independent Canadian resellers, and I act as an intermediary directly to Canada, disintermediating the United States to remove the tariff? It was a function that was going into loss due to the tariffs, and therefore I don't have to compensate for anything because the business itself would become a failing business, and so by getting it out of the business, I actually did it a favor. These are all issues that are then faced when doing this type of transfer pricing strategy, so yes, the influences of geopolitical factors are there and they are, I would say, daily.

Interviewer: How is transfer pricing linked to performance-based executive compensation? Does transfer pricing have a huge impact internally in large companies with several divisions?

Interviewee 3: This is evident on the internal evaluation processes of companies; it is evident from the moment you first propose introducing transfer pricing adjustments at the end of the year. Typically, the company's response is no, because I cannot modify the EBIT of my companies because the management has KPIs based on the EBIT. So if I lower the EBIT of the company, the manager there loses the bonus, and therefore they will never, they will never accept this. So the first step to overcome is reluctance about this. And it is clear that we cannot intervene on what level the group chooses to remunerate its managers, right? So whether it is right or wrong to remunerate them based on the EBITDA of a foreign subsidiary. What we can do, however, is tell them, "Okay, keep in mind that it is still possible to define a double track, meaning you can simply remunerate the manager on the pre-adjustment EBIT," yes. And then make the transfer pricing adjustment. So, he has his bonus based on a result that is the managerial, reporting package, let's call it what we want, then the statutory and fiscal result must be irrelevant to him because it is affected by complying with transfer pricing regulations. So, this is certainly one of the obstacles. Then, the other aspect becomes when you, to do, and this is an aspect that we cannot correct, but many companies see it, when we have to make transfer pricing adjustments to comply with, let's say, international regulations and this distorts the view that the upper management of the group has of the performance of the various companies. Meaning, let me explain, I can also say for large listed groups, the CFO can even agree to level all foreign distributors to 3% because we have a benchmark with a median of three, we bring them all to three, right? The CFO can even say, "That's fine with me." But the CEO, who is not so involved in fiscal and economic matters, he says, "But why can't I see if my salespeople in Australia or China are better, who, given the same purchase price, develop more business, develop more margin, develop more sales. If I don't track the two reports separately, it's clear that at that point I have to give the CEO an internal reporting report that no longer matches the numbers that he will instead have to present to the shareholders because he will have to provide different numbers, right?" And so it's clear that it would then be the creation of an internal culture within the company that is not always easy or immediate to build.

Interviewer: How do companies balance financial performance objectives with transfer pricing compliance, and what role do profitability indicators play?

Interviewee 3: In my opinion, the answer is that there is no answer, in the sense that it is on a case-by-case basis, meaning there are companies, those who are financially strong, businesses that generate a lot of cash, that are doing very well, they generally don't have particular terms in implementing transfer pricing adjustments, except for particular regulations of countries that perhaps don't accept them and therefore certain transfer pricing policies cannot be applied, but groups that don't have financial problems do it because the cost of not being compliant in terms of reputation, in terms of audits, double taxation, and so on is greater than the cost of making the adjustments. For groups that instead have cash or liquidity problems, it could be an issue because you could have a company that is highly profitable, but because maybe it has specific constraints of having to repay loans, of having to maybe repay grants to the government that you don't even see in the income statement, or because of agreements with some governments of possibly emerging countries they have given you guarantees, loans, they have opened certain outlets on the condition that you leave them some margin, profitability there, and so many times you encounter constraints that prevent you from operating or companies that simply don't have the cash to make the adjustments. So, I have my foreign producers in loss. Yes, it's true, they should earn 3%, but I am in loss too, I cannot adjust them, and so yes, it is not always simple. Let's say that in my experience it is easy to do these things when groups are doing well and it is difficult when they are doing badly, but that seems like an obvious observation. Perhaps the thing is, you must always adopt a progressive approach, meaning you don't enter a group and turn it inside out overnight because there is a whole series of internal resistances that make you burn out. So, as a consultant, the approach must be okay, given that we are at T0, these are the problems. At T1, which of these can we solve? At T2, which of the remaining ones can we solve, and can we solve? And you set a goal in which to make the machine and the Transfer pricing Model efficient, assuming there are groups that have policy review once a year because the blanket is short and so covering the feet uncovers the shoulders and vice versa.

Interviewer: Have you observed significant differences in transfer pricing strategies between private and publicly traded companies?

Interviewee 3: Yes, definitely. And the difference is that those who are listed have enormous reputational issues. So a listed company cannot afford to end up in the newspapers because they are challenged, wrongly or rightly, for having based taxes in Italy, which then is not evasion because transfer pricing is a matter of allocating tax bases, so to speak, but if for a layperson a tax assessment notice of 50 million euros arrives, explain to them that it doesn't make sense, right? Meaning, meanwhile you are in the newspapers, the news is disseminated, it ends up in the newspapers, 100 million, 200 million, then you explain, once it's in the newspapers, to someone who is not a technician that this thing is wrong maybe or that it is simply a debated issue between Italy and the United States and that it will be resolved in an international procedure, so that you have in fact not, meaning you have already paid the taxes in the United States, it's not that you haven't paid them, you paid them there, but Italy is also asking for them, so it's a matter of discussion between the two countries, it's not that you are an evader, right? And so listed companies cannot tendentially afford this, therefore they have supervision of the matter, if you want also due to their size, but therefore for many factors they are much more ready. Among private companies, in many cases you see that until a heavy tax audit arrives that, let's say, makes them take a hit, in many cases, especially in those that are private but understood in the sense of being family-owned, typical of the Northeast fabric, the entrepreneur says, "No, here it's done like this because I decide that it's done like this. Period. Because it's my company, I do what I want. So, I don't care what the Revenue Agency says, that in Brazil I have to make 6%, I make 25, I want to make 25. Period, I decide." It's clear that then when the strike from the Revenue Agency arrives, the approaches tend to change, so yes, there is definitely a difference between listed companies and private ones. Then there are also smaller ones that are hyper-virtuous, so you don't have to be listed to be virtuous, but I have never encountered a listed company that didn't care about transfer pricing, it's easier to find a small group that doesn't care.

Interviewer: How has digitalization and automation impacted your day-to-day work in transfer pricing? How are skillsets changing?

Interviewee 3: The impacts are, in my opinion, significant, perhaps on different levels. On one hand, all the numerical analysis, benchmark analysis, etc. will become much simpler. I expect and hope that with digitalization it is becoming so, because in fact I can do many tasks automatically with artificial intelligence and I don't have to do them myself. There are tools and software that manage certain things. The negative implications of this, however, are that I who did the calculation manually know how it works. If artificial intelligence does it for me, I know what is behind it and I know how that number is right, wrong, there's an error, there's no error, I can check it. The problem is that in the, let's say, short-term horizon. If these tools are used by very junior resources who don't have the knowledge of what is behind it, there is a risk that they trust the result without knowing how to evaluate it critically on one hand, and without saying, "Okay, this is the result, but if I wanted to do it like this, how would I do it?" If you don't know how to play with the numbers, many times the tool gets stuck because you designed it to go from A to B, but not to modify the elements or the path you take to get there. And so, this will be an issue to address. Conversely, the real issue will be that we will hopefully free up the time that must then be dedicated to using these tools to provide further improvement insights to clients, thus finding new ways of analyzing the numbers, accounting, and data that clients provide us, which, using artificial intelligence, allows us to refine our analyses better. And on this, in my opinion, as of today, we are still using artificial intelligence as a tool to help us do what we previously did manually, which is correct, but we will need to move to a point where automation, digitalization will be "help me do something different that I couldn't do before." And in this, in my opinion, I personally am still behind, here, but I think we are all behind.

Interviewer: Okay. And do you believe that transfer pricing will be more automated in the future, or will regulations become even more complex?

Interviewee 3: In my opinion, there will be much more automation. Because of this, regulations will be much more complex, and because of this, we should be increasingly better at explaining it to clients and possessing the technical tools that are the basis of these tools, of these complex calculations, because you can make the most complex regulation in the world, but when the client, put yourself in the client's shoes, let's put ourselves in the client's shoes, who has to pay 5 million in taxes based on what? Why? Because you tell me? Meaning, you've done the calculations, okay, but show them to me, explain them to me, make me understand, I want to see that they are correct, right? Either we become the Deus ex Machina, where we arrive there in the morning and tell them your number is 7, your number is 32, and they trust us, but in the perspective that we have to provide consulting to explain to them. First of all, verify if it is correct to pay seven and not six, because there is a very famous American ruling that is somewhat the basis of all those articles that talk about the concept of tax avoidance, which says that there is nothing moral in paying more taxes than is due, meaning it is perfectly legal to try to reduce your tax burden to the lowest possible value. There is nothing morally right in paying more taxes. The state specifies that it is 24% IRES plus 3,9% IRAP, is 27.9. Those should be. The state gave me morality at 27.9, so the concept will be, okay, we should know all these tools, these complex regulations well to use them to our advantage and to the advantage of clients, so the effects will be significant. It doesn't mean that we will lose our jobs, in my opinion. On the contrary, it means that we will have to radically change the way we work, but yes.

Interviewer: Instead, what are the most resource-intensive aspects of transfer pricing documentation, and how do companies optimize their documentation processes?

Interviewee 3: Excellent question. In my opinion, of all, the need to change the approach we adopt to collecting documents and information for each individual client, meaning there is no standard format today, or rather, it exists but we don't use it because for reasons of client relationship it is difficult to put the burden on them to use this thing. There is no standard format for receiving information. Meaning, the ideal would be, it's clear that it's not always applicable, but in 80% of cases, in my opinion, yes, I give you a small table, you put the intercompany transactions with the numbers in it, I take that table, I copy it into the document, right? That would make the work much easier. We are still stuck at receiving 50 different files from the client, some with overlapping data, I have to try to reconcile them and do the reconciliations and understand if the numbers are right, if they are wrong. But wait, last year there was this number, this year there isn't anymore. What happened? And the files are different for each client. Each client has their way of sending you files. It's clear that the client says, "I'm paying you, work, right, figure it out." But from our side, it generates a lot of inefficiency. So, if there was a simple way to track and map transactions within clients, and we do it as a service, meaning our colleagues who do, for example, SAP tools do it, it's clear that these are costly things, it's not that the client but they also tie the client to you, right? So, if you sold them an SAP tool that does transfer pricing analysis, rest assured that what comes out of the SAP tool is fine for you, you tie the client much more because at that point he has a tool that works, but it's clear that they are also costly things. Otherwise, we will get clients who have 12 different files on which they track transactions, and we have to put them together. This, in my opinion, is the most resource-intensive thing by far.

Interviewer: Okay, so last three questions. What are the main obstacles in implementing a consistent transfer pricing policy across different jurisdictions? How do multinationals manage transfer pricing in context of regulatory uncertainty or frequent legislative updates?

Interviewee 3: The main obstacles are that different jurisdictions have different regulations, and everyone tries to operate for their own benefit. Meaning it's ugly to say, but although the OECD principles are generally valid for everyone, each state interprets them in its own way. So, some states accept the interquartile range, some accept the median, some accept the full range, some want local comparables, some are fine with regional comparables. In some cases, you can reduce your transfer pricing adjustments, in some cases you cannot reduce them, in some cases you can reduce them only if you have authorized them with customs beforehand. So, meaning, there are a whole series of differences that hinder doing a transfer pricing policy that, so to speak, is of the "turn the key, from now on the scooter goes on by itself and I don't have to maintain it anymore" type. It is constantly necessary to rebalance it, evaluate whether it is working or not, whether I am localizing risk in countries where tomorrow I can bring the money I am leaving there back home, like in Europe, there are international procedures that work. But with Asia no, with America no, so if I leave money parked in China, bringing it back home is a desire, I might not be able to because the bank blocks the payment. And so on, conversely, if I leave very little margin in China, the government there is particularly, so to speak, attentive to certain dynamics, so it is more likely that they will audit me. So there are a whole series of obstacles that are related to the differences between the way different jurisdictions implement the regulations and how multinational corporations manage it is, in fact, in my opinion, by priority and by risk area, meaning by, how can I say, significance of risk, meaning if I am localizing a very high risk in percentage terms, but in absolute value it's worth a few pennies in Malaysia, I generally don't care because the consulting to solve it costs me more than what I risk there. If, conversely, I am localizing a very important risk in Italy, assuming a group with an Italian head, with an Italian parent company that is audited every year, it makes little sense because if I have 40 foreign subsidiaries that each turnover 2 million and I turnover 2 billion in Italy, it is clear that the risk of the small ones with 2 million being audited is very limited. It is certain that I who turnover 2 billion in Italy will be here every year to see me. So consulting is also, but where do we localize the risk? Do we keep it in Italy where it is sure to materialize, or do we put the risk in countries where it is actually less likely that they will come to audit us? There is no answer, but it is part of the dialogue with companies.

Interviewer: What are the most critical areas to monitor to avoid disputes with tax authorities? In which areas do tax authorities focus on their transfer pricing audits?

Interviewee 3: it's very difficult because as soon as you cover yourself in one area, they find another one, so if I cover myself in that one, meaning it's impossible, right? In all cases where you have lower margins, there is a risk that they will say something to you. And which area? Well, maybe I would say benchmark analyses because they are the easiest tool for the agency to make adjustments. But it's not even true because now we are seeing audits where the agency says, "Okay, I confirm the benchmark, but you know what, in my opinion? It's not transfer pricing, the costs are not inherent," and so they apply penalties to you. Or they tell you the benchmark is fine, yes, but I adopt a different positioning concept. Or the positioning is fine, but in Portugal you position yourself at the upper quartile because Portugal is at the upper quartile because I like it more. So, what are the risk areas? I would say all of them, meaning if you are outside the range, the agency brings you to the median, but if you bring yourself to the median, the agency says, "No, then the cost is not deductible because you should have limited yourself to the upper quartile. So, I don't know, there is no answer.

Interviewer: Okay, last question. Based on your experience, where do theoretical Transfer pricing principles (OECD guidelines) fail to address real-world challenges in multinational operations?

Interviewee 3: Excellent question. On one hand, they assume that all countries interpret the guidelines in the same way, which is not the case. Meaning, talking to someone who wrote the OECD guidelines, they told me, "In my opinion, there is no way that the median or the interquartile range are used, the full range is always used." I wrote those things; I wrote that part assuming that the full range is always used. So, meaning the main issue is that there is a disconnect between those who wrote the rules and how the rules are interpreted and applied, and this already creates a first level of confusion. Then there is an issue of information asymmetry, meaning the taxpayer never has access to all the information that the Revenue Agency has access to, because the taxpayer sees itself. We consultants see 20, 30, 40 taxpayers. The agency sees them all, so it has the results of all disputes, the judgments of all disputes, the closing statistics of all settlements, the benchmarks done for all taxpayers in all sectors, so there is enormous disparity of information between what the Revenue Agency has and what we have. So that is a really relevant point. And the last aspect, in my opinion, is that if we wanted to be truly good and precise in doing analyses, on the other hand, there would need to be a constraint on common sense, meaning international procedures would need to truly work and be fast. And this thing about information asymmetry is also linked to the fact, and to the common sense that it is therefore necessary in doing audits, that more homogeneous results are needed. Meaning Pillar 1 Amount B takes prefabricated results, whether liked or not. If it were applied by everyone, at least it would be symmetrical and thus would eliminate the uncertainty about which benchmark to use, which positioning to use, and so on, but we already know that it will not be symmetrical because some countries have opted out and those that have implemented it. Add to this the fact that in having to do benchmarks in many countries, companies do not file financial statements. And when you look for comparables, yes, this has a significant impact. For example, Germany does not publish financial data, so in Germany, the largest economy in Europe, the one with the most companies, there are no data of German companies in the benchmarks. So, how much do Germans earn? Well, a lot or a little, we don't know. What is the margin distribution of German companies in the food sector? Who knows, maybe it raises the benchmarks, maybe it lowers them, but it would certainly be useful to have them in, especially if I have to benchmark a German distributor or a German producer, because otherwise I am using French companies for the German market, and we know that French cuisine and food is not the same as German food. So, there are sectors where, even within Europe, geographical and geopolitical dynamics have important implications and unfortunately this complicates analyses.

Transcript of "Interviewee 4"

Interviewer: What are the most common misconceptions companies have about transfer pricing when do they turn to transfer pricing professionals?

Interviewee 4: So, in my opinion, the first is the fact that many believe that it is merely a fiscal matter, meaning of fiscal compliance, that it is fine from a fiscal point of view, in reality, it can also involve various other aspects, such as, in my opinion, financial or legal aspects. Another thing, maybe that I have seen that can happen is that many believe that a transfer pricing method, let's say, can be applied regardless to all transactions and that this remains, so to speak, constant over time, meaning as if once it is defined there is no possibility of changing it, hence the fact that they believe it is valid, so to speak, forever. Perhaps also the fact, but perhaps this is a bit of a more critical aspect, let's say, a criticism, the fact that they believe that if they turn to consultants, the consultants can certainly guarantee that in the case of tax audits there will be no disputes. In reality, it's not always like that, in the sense that very often it also depends on the behaviour, the approach of the auditors. Here, well, I feel I can say that these are some of the most mistaken beliefs, perhaps.

Interviewer: What are the main factors that influence the choice of transfer pricing method in a company? And the most common trade-offs they face?

Interviewee 4: The choice can surely be influenced by the type of transaction, whether it is a sale, a purchase of goods, or if it is more related to a provision of services. Very often, the availability of data that the companies themselves have also comes into play, meaning if the data that can be found on the market is easily accessible. I'm thinking, for example, of the application of the CUP method, which is not always easily applicable, let's say. And then, eventually, particular regulations that exist in other countries of foreign subsidiaries where they are based can also be taken into consideration, and the compromises, in my opinion, are precisely understanding the availability of data, doing a cost-benefit analysis, meaning if the implementation of complex methods can lead to high costs in terms of time and resources. So, on the other hand, evaluating eventually what the benefits are, the eventual risks, or if it is worth it.

Interviewer: Okay. So, instead, how do transfer pricing professionals collaborate with company representatives and CFOs to align transfer pricing strategies with overall corporate financial goals?

Interviewee 4: Well, we jointly evaluate, I would say, the risks, meaning understanding what the risks are that can be associated with the transfer pricing policies that are currently in place and understanding how they can eventually be modified to mitigate, the risk, understanding if the eventual transfer pricing policies can have an impact on the general or anyway financial strategies of the company itself. And it is important, in my opinion, also to implement a system of periodic monitoring, precisely to see if something needs to be modified or if the transfer pricing policies in place are, anyway, in line with the objectives that the company has set in the medium-short, medium-long term.

Interviewer: Okay, instead, a somewhat more generic question, in the sense that maybe we could have a broader discussion, but it is to understand in general the relationship between geopolitical changes and Transfer pricing. How do geopolitical factors (e.g., trade tensions, tariffs) influence transfer pricing strategies?

This is a difficult question, in the sense that with tariffs, for example, many companies find themselves having to modify their entire supply chain or anyway the modification of commercial flows, and consequently also the transfer pricing policies, precisely, that are in place. Geopolitical tensions, so to speak, which then ideally should also be, so to speak, reflected in the eventual comparables that are used for benchmark analysis. So, it is not always easy to align what the current tensions are with the comparables that are then selected. So, this is definitely an aspect to take into consideration and maybe the fact that eventual geopolitical tensions can also lead companies to reconsider what their tax planning strategies are, so understanding how to eventually minimize the amount or the impact of tariffs or other, so to speak, tensions, let's say. However, I haven't seen this firsthand yet, so I can't give you a very exhaustive explanation.

Interviewer: How is transfer pricing linked to performance-based executive compensation? Does transfer pricing have a huge impact internally in large companies with several divisions?

Interviewee 4: I have seen it in reality, limitedly, like when we do the calculations for the year-end adjustments, that is, those that we maybe do to bring the profitability of the foreign entity back within the benchmark. Very often it happens that maybe the bonus of a manager, of a CFO, is, how can I say, measured according to the result that the company has achieved. So, it is obvious that when the company is adjusted because maybe it was too high, the bonus, so to speak, also suffers, meaning the bonus given to the manager also suffers. For this reason, maybe it can happen that we modify the calculation of the bonus so that it is not so much measured according to the result of the company, but according to other parameters, precisely so as not to be affected, so that it is not affected by the transfer pricing policy. I have seen this in general. More internal dynamic.

Interviewer: Yes, yes. Okay. How do companies balance financial performance objectives with transfer pricing compliance, and what role do profitability indicators play?

Interviewee 4: I would always say that there needs to be an integration, an alignment between the transfer pricing policies and the financial strategies of the company in general, but how they manage to constant monitoring.

Interviewer: In your experience have you dealt with both private companies and also listed companies?

Interviewee 4: No, listed ones not yet, actually.

Interviewer: Okay. No, because there is a question about the differences between these two.

Interviewee 4: Okay. I think we don't have many listed ones, I believe, however.

Interviewer: Yes, yes. I imagine. But instead Have you observed significant differences in transfer pricing strategies between small and large companies?

Interviewee 4: Let's say that perhaps the larger ones are more risk-prone compared to the smaller ones or anyway they are structured from a managerial point of view etc. that allow for greater availability of data compared to smaller companies. Here, I would say this mainly.

Interviewer: Okay. Instead, how has digitalization and automation impacted your day-to-day work in transfer pricing? How are skillsets changing?

Interviewee 4: Digitalization is changing, in my opinion, in those simpler procedures. So, I'm thinking, for example, of data collection. For example, of data collection where maybe there are also tools that are being developed precisely to make data collection or the eventual re-elaboration of the same more automated, for example, also the fact that there are pre-set tools precisely to perform the benchmark analysis more effectively and efficiently or tools that now allow, for example, to prepare some standard documents more automatically, I'm thinking of proposals for clients. Here, so if on one hand, let's say that automation, digitalization is making the simpler aspects of daily activity easier, on the other hand, it requires, a greater effort on our part, in the sense of having to always give more added value in the activity we do for clients, so it is no longer, a simple preparation of transfer pricing documentation, but it is precisely a 360-degree consulting activity, I would say, here, so a greater added value, always a greater knowledge also of the legislation, not only Italian, but also foreign, precisely to understand where and what the risk potentials are and where to eventually act.

Interviewer: Okay. And do you believe that transfer pricing will be more automated in the future, or will regulations become even more complex?

Interviewee 4: I'm afraid actually both, in the sense that in my opinion from the point of view of automation, of technology, maybe also more and more companies will have implemented increasingly automated and digital solutions, so on one hand, therefore, it will increase more and more, but on the other hand, I think then we will need to see that also the regulations, however, concerning transfer pricing can become more and more complicated precisely to guarantee fiscal compliance from the point of view of all the companies that operate in the various countries. So, in my opinion, there will be a mix between the two components.

Interviewer: Okay, instead, what are the most resource-intensive aspects of transfer pricing documentation, and how do companies optimize their documentation processes?

Interviewee 4: The collection of financial data by companies which can take a lot of time or anyway resources on their part. The eventual benchmark analysis also takes a lot of time on our part. Also, the preparation of the documentation if this does not only involve, if it is not prepared only for the Italian company, but also for foreign companies, in which case it anyway requires knowledge of local regulations and understanding how it can be customized according to the locally required requirements. So, these are a bit the things that take up the most resources. To this, eventually, other extraordinary activities are then added, like policy reviews etc. or restructuring.

Interviewer: Okay? And linking to this, what are the main obstacles in implementing a consistent transfer pricing policy across different jurisdictions? How do multinationals manage transfer pricing in context of regulatory uncertainty or frequent legislative updates?

Interviewee 4: I would say that the main obstacles are the fact that maybe there are normative differences between one country and another and therefore this can make it difficult to apply a transfer pricing policy that is uniform for all, the subsidiaries and at the same time the fact that norms can also change rapidly, hence the need to evolve and change with them. The fact that, anyway, implementing a transfer pricing policy requires resources in terms of costs and time, so, it is a particularly costly phase for companies and the fact that very often companies can be reluctant to implement a new transfer pricing policy precisely because they may think that the change can entail risks compared to the past. So, these, in my opinion, are the main obstacles. Constant monitoring of regulations or anyway of the performance of the companies in which they operate is indispensable and the fact of being, so to speak, flexible so that it is possible to change the transfer pricing policy in case of eventual changes, in short.

Interviewer: Okay, last two questions. What are the most critical areas to monitor to avoid disputes with tax authorities? In which areas do tax authorities focus on their transfer pricing audits?

Interviewee 4: I have only seen audits on Italian companies so far, not foreign companies. Let's say that currently, those that I have seen have focused especially on foreign companies that have a high margin, so maybe very often even higher than the benchmark analysis, and therefore they have rectified the margin of these. In rectifying the margin, very often, that is, almost always, I would say, it happens that the Revenue Agency then modifies the set of comparables, so it removes subjects that were accepted by us and adds others, and consequently the rectification that results in profitability turns out to be much higher than that estimated during the preparation of the documentation. So, this is a bit the main rectification mechanism that they perform. And then let's say that, however, the importance of the transfer pricing document is the fact that regardless of whether a rectification is made, it does not allow the application of penalties if the document is compliant, let's say, with the provision.

Interviewer: Based on your experience, where do theoretical Transfer pricing principles (OECD guidelines) fail to address real-world challenges in multinational operations?

Interviewee 4: I would say perhaps in the application of the CUP method, in the sense that the OECD guidelines say that it is the most reliable method, the preferred one compared to the others. In reality, based on my experience, I have noticed that it is very often difficult to apply precisely because it requires a number of observations and analyses that are much more resource-intensive than what the application of the TNMM would require. So very often we go with TNMM precisely for this reason, besides the fact that it is easier to apply and is anyway accepted by the agency itself.

Transcript of "Interviewee 5"

Interviewer: What are the most common misconceptions companies have about transfer pricing when do they turn to transfer pricing professionals?

Interviewee 5: So, the most common one is the fact of preparing the documentation and declaring it themselves, because when they think that by doing so, they also bring about audits. And in reality, according to the experiences that have been had by those who, in short, have more years of experience, it would seem that this is not the case, in fact, the fact that the taxpayer is transparent in this, meaning declares to have done everything in order, so to speak, is appreciated by the agency, meaning it is a transparent, collaborative behaviour, so perhaps this is the main one and sometimes maybe transfer pricing is not seen as such an important thing, meaning it's one of the last problems for companies sometimes, so they don't give it much weight, even though looking at the latest audits, they are all quite focused on transfer pricing, so maybe they should start. Well, some are already doing it, they are already thinking abundantly about how to modify policies to ensure that they don't have or are anyway protected in case of an audit, but some others haven't quite understood this yet, in my opinion.

Interviewer: What are the main factors that influence the choice of transfer pricing method in a company? And the most common trade-offs they face?

Interviewee 5: Well, the functional analysis, the comparability analysis, in addition to understanding also in practice what the taxpayer can actually do, because maybe in some, you know, in some cases it would be necessary to apply a method and then calculation methodologies, like profit split, which is a bit the most complicated one, and precisely because it is complicated, some taxpayers don't want to apply it because they say, "Meaning I complicate my life doing all these segmentations, calculations, etc." and so maybe they go for something simpler, but yes, it all depends, it starts obviously from the functional analysis of comparability.

Interviewer: How do transfer pricing professionals collaborate with company representatives and CFOs to align transfer pricing strategies with overall corporate financial goals?

Interviewee 5: It depends on company to company, in the sense that sometimes companies want full-circle consulting meaning they often discuss many aspects and so they involve us in many things, and they want to know our opinion on many things, on how, in short, we would do it. Others instead are much closer, and they call us, or we interface only when it is time to prepare the documentation, so for exchange of information and exchange of data to prepare the documentation, so it varies a lot from company to company.

Interviewer: Okay. And instead, how do geopolitical factors (e.g., trade tensions, tariffs) influence transfer pricing strategies?

Interviewee 5: Yes, it's a bit in flux, in the sense that it will all be seen. There are some companies that are thinking of making direct meaning opening factories directly in the United States to avoid this problem, but anyway, this will be seen. As for maybe other things that have happened, like Covid, for example, it also depends there on the client's risk perception, because maybe some companies have protected themselves by keeping policies in place, despite, precisely, cases of losses in subsidiaries or in the company itself. Others instead said, "Look, meaning Covid, in the sense, it's something that concerns the whole world, it's not my problem," and so even when the audit comes, in short, meaning there will be something to discuss then with the agency, so they have let this factor influence the transfer pricing policies a bit more, so it depends a lot on the client's risk perception.

Interviewer: How is transfer pricing linked to performance-based executive compensation? Does transfer pricing have a huge impact internally in large companies with several divisions?

Interviewee 5: It is a topic that many have indeed raised with us because maybe, precisely, the general manager of the foreign distribution subsidiary, I don't know, has a bonus or anyway remuneration that depends precisely on how the company performed. So, in these cases, sometimes to avoid this problem it is proposed, then I don't know how they do it internally, however, it is proposed to the company to evaluate the performance before making the adjustment. So, meaning I evaluate the remuneration that the manager will have based on how the company performed net of the adjustment, so before it is applied and in short, there are internal agreements then obviously between the manager and then anyway the adjustment is applied because obviously one must also protect oneself, so then the result becomes totally different anyway. So when we said, "Look, your distributor must earn 3%," and maybe they were used to earning 10%, meaning the general manager who received the instructions to make the adjustment, meaning he clearly complains, he says, "Excuse me, meaning I made 10% because I'm good, because

I'm efficient, etc., meaning you can't bring me down to 3% because otherwise I won't get what I should anymore," but anyway, there are internal agreements that allow, precisely, then in practice I don't effectively know how they are implemented because they are internal things that we don't see, it is only advice that we give to organize internally in a different way to ensure that the adjustment does not then affect the performance evaluation of those who manage the company itself.

Interviewer: Okay. And how do companies balance financial performance objectives with transfer pricing compliance, and what role do profitability indicators play?

Interviewee 5: It depends on how the company is doing, in the sense that apart from the fact that we, meaning, mainly interface with entrepreneurial companies, so the problem then lies below in the controlled companies which are maybe distributors, producers who therefore must have a fixed margin. So how do these things interact with each other? Meaning it depends a lot, in the sense that if the company is doing badly, meaning if the whole group, for example, if the whole group is doing badly, and you must anyway guarantee your producer a certain margin, meaning some companies perhaps oppose or anyway see it as more of a limit in adjusting maybe subsidiaries when you yourself are in loss and so, meaning it means you go into loss even more compared to what would be a normal situation. Here too, in my opinion, it depends a lot on the company's risk perception, because there are those who want to protect themselves from any risk and so, despite, for example, there being this aspiration of loss, let's say, they still proceed to be compliant with the group's policies meaning they do everything as if the situation were normal. as if there were no loss. Others instead say, "But if I am in loss, meaning I have nothing to give to others, so it's not right that I give to others," but clearly, meaning this interferes with transfer pricing, so in short, in case of an audit there is a problem that would anyway come up. And conversely, if I have a very high-performing group with perhaps very high-performing distribution companies, sometimes companies are more reluctant maybe to reduce the foreign margin, because, for example, I had a case in which a company said, "Look, my foreign subsidiary earns so much because it has efficiency derived from its size, from the network of distributors it has, meaning certain factors, and so, meaning it seemed unfair to them maybe to reduce the margin so much just to meet transfer pricing. So, in my opinion, meaning this also depends a lot on how well perhaps the people with whom we interface know the company and a bit on how much they perceive the risk. Meaning one thing that always comes back is the perception of risk. Because transfer pricing is not an exact science, sometimes more favorable or less favorable positions are taken for the taxpayer precisely based on their risk perception.

Interviewer: Have you observed significant differences in transfer pricing strategies between private and publicly traded companies?

Interviewee 5: More than strategies, perhaps they have more developed internal procedures, meaning everything is more organized, because maybe they have to comply with certain formal deadlines, etc., so everything is more organized from this point of view. Also, for example, if I think of the cases I have had, even the transfer pricing was all very, meaning the policies were well-defined and then this, in short, also happens in companies that are not listed, certainly, however, in listed companies I felt I perceived this more, meaning more order, more control.

Interviewer: How has digitalization and automation impacted your day-to-day work in transfer pricing? How are skillsets changing?

Interviewee 5: So one thing that in my opinion is being seen more directly is there is more now precisely with artificial intelligence because, meaning, this perhaps has indeed been the biggest change because okay, maybe in the short time since I started working there have also been maybe other platforms, other systems that have been used to maybe facilitate the work, but they haven't been so decisive, so I think it's a change more, meaning very current. So it's something that in my opinion we will see from now on, meaning since I started until now I haven't perceived all these changes at a digital level, so I think there was already clearly enough digitalization in our work, but the most important change in my opinion is happening now with artificial intelligence.

Interviewer: Okay. So, do you believe that transfer pricing will be more automated in the future, or will regulations become even more complex?

Interviewee 5: Perhaps both, in the sense that surely something will be more automated, but not only because of digitalization, but also precisely because of internal regulations, like Pillar 2, excuse me, Pillar 1 which already provides for a defined margin for certain sectors, there is already this type, I wouldn't say to automate because there is still an analysis underneath, however, to define in a bit clearer way what was previously a bit of a grey area and at the same time yes, in my opinion, meaning there will anyway be regulations that will go, meaning there have always been and in my opinion there will always be regulations that create doubts that are not understood, that will complicate things, meaning that yes. So, in my opinion, both things will happen.

Interviewer: Okay. Last four. What are the most resource-intensive aspects of transfer pricing documentation, and how do companies optimize their documentation processes?

Interviewee 5: Well, certainly the economic analysis, then it also depends on whether the policies are already all defined, because at that point, meaning if they are already defined, you just need to describe them. If instead, you know, I have a group that doesn't have well-defined policies and meaning I see that in the end they have fluctuating results, maybe one is super profitable, the other is super in loss, etc., meaning perhaps it takes a lot of time there to understand why one earned so much? Why did one earn so little? How can I justify it? If I can justify it because it's not always possible, it's more time-consuming when there is no organization of the company regarding policies and when I am seeing it right now with a client, when the company is not internally organized or sufficiently trained, because maybe sometimes they don't even really understand what we are asking for or rather they don't understand the reason for some requests and maybe they are not very cooperative or anyway they are simply disorganized internally and cannot give you feedback on certain requests that then allow you to do the analysis in time and so yes, it depends a bit, in my opinion, on how the company is internally structured, meaning if they are already, precisely, trained from the point of view of policies or if instead they are a bit like that, doing things somewhat haphazardly.

Interviewer: What are the main obstacles in implementing a consistent transfer pricing policy across different jurisdictions? How do multinationals manage transfer pricing in context of regulatory uncertainty or frequent legislative updates?

Interviewee 5: Well, that sometimes the regulations of some countries are different from ours, or anyway from other countries, and so you have to reconcile the needs of everyone of all countries. Sometimes also maybe it happens that, well, precisely, the case we discussed earlier, precisely, that the general manager is maybe evaluated on performance and so they are a bit reluctant to apply transfer pricing policies because they precisely claim to earn enough to avoid what they earn. Sometimes it's simply bureaucracy, because there are some countries, for example, where, meaning, to implement a policy you also need the intercompany contract. To have intercompany contracts you have to register the contract here before meaning there are many complications maybe at a bureaucratic level and that slow everything down and so it becomes a bit more difficult to then reach a conclusion. I would say in general a bit of the regulations that maybe they can be different from country to country, so you have to try to reconcile everything or even how aggressive the tax administrations are? So, this also makes a difference.

Interviewer: Okay. And what are the most critical areas to monitor to avoid disputes with tax authorities? In which areas do tax authorities focus on their transfer pricing audits?

Interviewee 5: Well, abroad, in my opinion, meaning from what little I have seen of all the audits abroad, meaning it seems to me that they focus more on substance, meaning if the distributor earns 5%, which is anyway a value that could generally be fine for a distributor, meaning, they don't completely overturn the benchmark just because they want to force you to reach 2% instead of 5, meaning it seems to me that there is a bit more attention to substance, but this thing I don't know if it can be described or said, it's a bit of an attack on the administration.

Interviewer: Based on your experience, where do theoretical Transfer pricing principles (OECD guidelines) fail to address real-world challenges in multinational operations?

Interviewee 5: Well, more than the real world, meaning in general they are sometimes very, especially the OECD guidelines are very hypothetical. And so sometimes even reading them you can't quite grasp what the person who wrote the guidelines actually wanted to convey. Meaning, or maybe not all cases are covered, a more particular case, then clearly you have to manage to find a solution, but sometimes yes, they are simply difficult to interpret because they are so generic that you can't quite grasp exactly what they mean, what is the best way to apply the transfer pricing policy in that particular case. Then sometimes yes, for sure, there are also passages where they are very clear, I'm not saying they are all abstract, but yes, sometimes perhaps the difficulty is precisely the interpretation of the guidelines.

Appendix C: Coding Results Table from Professionals' interviews

Informants' quotes						TP strategies and de
	TP misconceptions			TP methods		
	Nature and scope	Client's incorrect expectations and perceptions	Challenges in Practical Application and Business Reality	Analytical Inputs	Business reality, internal processes and practical implementation	Method selection outcomes and common compromises
Interviewee 1		Companies, particularly entrepreneurs, do not fully understand TP methods and are unsure what to expect from applying them.Entrepreneurs sometimes believe their internal pricing, based on their own logic (e.g., Cost Plus), is automatically correct for TP purposes, which doesn't always align with the required methods and results. Expectations about the numerical results derived from applying the			Coincide with the first answer.	
Interviewee 2	The main starting point is that it is a subject that can be completely ignored, where companies can do a bit as they please.	There's a distorted perception that the fiscal logic of TP is not aligned with the economic logic of the business. While the basic logic of TP (avoiding profit shifting not aligned with value contribution, reflecting arm's length conditions) is simple, there are physiological discrepancies in its real-world business application.		The transfer pricing method is not a company's choice, right? Meaning the company's choice is economic and is made upstream, it is often dictated also by a family, by an entrepreneur, by managers.	Method selection, while planned, is ultimately a response of taxation to the business. Internal business logic drives intra-group relationships and decisions, including manager incentives, price lists, quality control, procurement, tracing bill of materials, production efficiency, commercial incentives, and the intertwining of goods and services. These logic points do not solely respond to fiscal needs but are inherent to the company's structure. A common compromise arises because companies have very complex internal rules and mechanisms, sometimes not even fully disclosed to consultants (due to business secrets, sensitive information, future strategies). These complex internal realities are often simplified and streamlined to apply a nearly banal method that focuses primarily on where operational profit is generated. This represents a major compromise: the extreme simplification of the complex business mechanism down to a basic comparison of operational results.	The objective of the most used methods is to look at the effective operational profit achieved by the companies involved. The compromise lies in using methods like TNMM that focus on the operational result, simplifying the vast complexity of the business's internal workings.
Interviewee 3		There is a lack of technical and cultural knowledge or preparation regarding TP. It is a common misconception that TP is excessively complex.It is a common misconception that TP is excessively costly.	I'm thinking of the issue of managing year-end adjustments, managing mid-year adjustments, modifying the pricing policy, these are all things that any company can do today if it has a minimum of dedicated resources. But you don't need resources dedicated to transfer pricing, any company, management control can do these things, so it's not complicated. It has nothing to do with tax planning, because today transfer pricing is more about.	The starting point is represented by functional analysis. The TP method should, follow the company's business. The first step is collecting info through functional interviews, "Tell me who you are, tell me what you do, tell me how you do it," because the transfer pricing method, where possible, must follow the company's pricing policy.		if you ask a producer how they make prices, they tell you, "Well, I go cost plus, I know what my bill of materials is, I know what my production cost is, I apply a markup to it and for me that's the price, I put a cost plus 20%, cost is my price. And it's clear that then when you apply the TP method, to analyze third parties to verify that this is correct, what is the margin that third parties apply in the market to use them as a benchmark. It's difficult to understand what their base costs are, what their bill of materials is, what their costs are, what markup they apply, Despite the hierarchy of methods, practical application of methods like Cost Plus and Resale Price is often difficult. For instance, with Cost Plus, it's hard to find comparable third-party costs and markups for benchmarking. Because of these difficulties and the need to simplify while trying to follow the company's logic and seeking easier acceptance by tax authorities, companies often end up resorting to analyzing the Net Margin, typically using the Transactional Net Margin Method (TNMM). This method looks at the net margin either on costs (Net Cost) or revenue (Net Margin on Sales.
Interviewee 4	Many companies believe Transfer Pricing is merely a fiscal compliance issue. They think that if it's fine from a fiscal perspective, it's sufficient, but it can also involve other aspects like financial or legal considerations.	Many believe that a single TP method can be applied to all transactions regardless.There's a belief that a defined method remains constant over time and is valid "forever," without the possibility of changing it.	Many believe that consulting professionals will guarantee the absence of tax challenges in case of audits. In reality, this is not always the case and also depends on the approach of the auditors.	The choice is definitely influenced by the type of transaction, such as the sale or purchase of goods, or the provision of services. Another significant factor is the availability of data, both internal company data and data easily obtainable from the market. The application of certain methods, like the Comparable Uncontrolled Price (CUP) method, is not always easily applicable due to data limitations.		TNMM is often preferred because it is easier to apply and generally accepted by tax agencies. A compromise is also necessary regarding data availability, sometimes leading to the application of simpler methods despite higher-ranking methods being theoretically preferred. There is also a cost-benefit analysis involved; implementing complex methods can lead to high costs in terms of time and resources, requiring a balance against potential benefits and risks.
Interviewee 5	Some think that TP is a subject that can be easily ignored or is the least important problem for companies, despite recent tax audits being heavily focused on it. A key premise is that Transfer Pricing must follow the business, and the business should not have to adapt to Transfer Pricing rules in most cases.	Some taxpayers believe that preparing and filing the documentation helps avoid audits. However, a transparent behaviour is appreciated by the tax authority.		The selection starts from the functional analysis and comparability analysis.	The practical application also depends on what the taxpayer is able to do, as applying complex calculation methodologies like profit split can be complicated and time-consuming, leading some taxpayers to opt for something simpler.	

Informants' quotes	cision-making process			
	CFOs collaboration		Geopolitical Influence	
	Nature of the collaboration and its Foundational Understanding	Operational Mechanisms and Processes of Collaboration	Impact on Business Structure and Operations	Strategic Planning and Uncertainy Management
Interviewee 1	When a CFO understands the subject matter, they often guide the TP professional, indicating their needs, and the consultant adapts the policy accordingly	Collaboration can involve making projections to help the CFO improve the situation		Meaning, so you ask me what impact do Trump's tariffs have, or for example, something that happened now, or even Covid a few years ago, they will have an impact, but knowing how much, how, in what way, we always have to wait a couple of years. So, how to say, unfortunately you move, you understand that something will happen, but you don't understand how much it will impact or if it will have a significant weight, who knows. Yes, so it's a bit difficult to... Here, you understand that it's there, but you don't understand how much it's worth.
Interviewee 2		While method selection is planned, it is ultimately a response of taxation to the business. Internal business logic drives intra-group relationships and decisions, including manager incentives, price lists, quality control, procurement tracing, production efficiency, commercial incentives, and the intertwining of goods and services. TP professionals must navigate this. A common compromise involves simplifying and streamlining the company's very complex internal rules and mechanisms to apply simpler methods.	These decisions are fundamentally business or even political choices, which TP then needs to follow and adapt to. Geopolitical contexts influence the range of decision-making options for a business, and consequently, they reflect in the range of TP options available. TP is influenced by the geopolitical context influencing the life of the business at every stage.	The perception of risk within a company's management can significantly influence how geopolitical factors impact TP policies. Companies may adopt different approaches, from strictly adhering to policies despite losses (e.g., during Covid) to allowing geopolitical factors to influence policies more directly, depending on their risk appetite. This uncertainty is not just driven by regulatory change itself, but by the underlying political and economic will that motivates the changes. Disaligned wills among different jurisdictions create difficulties in applying uniform TP policies globally and lead to uncertainty that must be managed.
Interviewee 3	The nature of the collaboration depends on the company, even apical figures in companies, after years, might still not fully understand what TP is. In many companies, there is a close collaboration with the CFO, often characterized by constant interaction, because the CFO is the one who has understood that transfer pricing is not a fiscal discipline, but an economic discipline that has fiscal implications.	TP professionals often serve as a link between the Tax function and Management Control. They operate by interacting with the Tax Manager or the management control function, depending on which function best manages the numbers relevant for TP. Their role is therefore to help put these two aspects together to provide a solution that is aligned from an accounting and management control perspective, but also efficient from a fiscal point of view. So for many CFOs, we are somewhat the ones who put the two pieces together for them, who put management control and tax together to give them a solution that is aligned from an accounting, accounting point of view, meaning management control, but also that is then efficient from a fiscal point of view.	For instance, tariffs introduced by a country can lead companies to rethink their supply chain and value chain.	Geopolitical influences are described as daily, emphasizing the ongoing need for attention and adaptation in TP strategies. As for instantaneous geopolitical factors, this influences transfer pricing strategies in the short term, actually mostly in the medium term. So Trump introduces tariffs in the United States. Is it convenient for me to continue using my American entity as an importer or do I eliminate the flow and then resell in Canada, or is it convenient for me from Italy to export directly to Canada and thus dismantle the American entity for the part it had of B2B distribution maybe and where it sold to independent Canadian resellers, and I act as an intermediary directly to Canada, disintermediating the United States to remove the tariff? This could be something to consider and with all the implications that this has. So, more than the extreme solution, perhaps I would look at geopolitics in general, meaning the concept of country risk is a concept that is very present in transfer pricing, because setting transfer prices and operating with an entity based in Brazil or in Turkey today, where the Turkish lira is in a phase of continuous devaluation, certainly entails
Interviewee 4		The collaboration involves jointly evaluating the risks associated with existing TP policies and understanding how to modify them to mitigate such risks. It is considered important to implement a system of periodic monitoring to check if modifications to TP policies are necessary or if they are aligned with the company's medium-to-long term objectives.	Geopolitical factors, such as tariffs or trade tensions, often require companies to modify their entire supply chain or commercial flows.	Geopolitical factors can lead companies to reconsider their tax planning strategies, though this impact is not always immediately or widely observed. TP strategies must consider geopolitical tensions, which ideally should be reflected in the comparable data used for benchmark analysis. However, aligning current tensions with selectable comparables is not always easy.
Interviewee 5	The mode of collaboration varies significantly from company to company. Some companies desire full-round consulting and frequently discuss numerous aspects with TP professionals, involving them in various issues and seeking their opinions. Others are much more closed and only interact with TP consultants when preparing documentation, limiting the exchange to necessary information and data		This can prompt strategic decisions like opening factories directly in affected countries to avoid tariffs.	it also depends there on the client's risk perception, because maybe some companies have protected themselves... by keeping policies in place, uh, despite, precisely, cases of losses in subsidiaries or in the company itself. Others instead said, "Look, meaning Covid, in the sense, it's something that concerns the whole world, it's not my problem," and so even when the audit comes, in short, meaning there will be something to discuss then with the agency, so they have let this factor influence the TP policies a bit more, so it depends a lot on the client's risk perception.

Informants' quotes	Financial performance			
	Transfer Pricing Internal Impact		Financial Performance-TP compliance trade-off	
	Link to Compensation and Performance Evaluation	Management and Solutions	Influencing Factors	Challenges and Management Approaches
Interviewee 1	It is seen in large, highly managerialized companies.	You have a Sales Division or a commercial company whose results you standardize and they are always evaluated on the result, and there you have to address the issue by finding a solution that makes sense for them, which is usually to sterilize the adjustments, in short, here, then these things happen, but you simply find a solution, it's not that you avoid implementing it because, meaning, it's the reason for the initial resistance, right? Let's not do it because otherwise I don't know how to measure the manager, the manager complains etcetera etcetera. So, since these remuneration logics then have to be changed, there is a moment of resistance, but then, in short, it's done.		
Interviewee 2		So it's always... it goes from a decision-making process logic, internal decision making, to a tendency towards risk management logic, so risk management, more than impact on the real business decisions that often are not guided by TP.		TP typically follows the business logic, rather than the business adapting to TP rules. However, there's often a disconnect between complex internal business mechanisms (like manager incentives, detailed pricing strategies, supply chain efficiency) and the simplified, profit-focused analysis required for TP compliance. Balancing involves bridging this gap, often requiring companies to simplify complex internal rules to align with basic TP principles focused on achieving an arm's length operating result.
Interviewee 3	The connection between Transfer Pricing and performance evaluation is evident, particularly when companies propose introducing year-end TP adjustments.	TP professionals cannot dictate how companies choose to remunerate their managers (e.g., whether basing it on EBITDA is appropriate. A common approach is to define a "double track". The TP adjustment is still performed and reflected in the civil and fiscal results for compliance and protection purposes, but it is designed to be "irrelevant" for the manager's bonus calculation. Building an internal culture where such distinct reporting and evaluation methods are understood is not always easy or immediate.The primary impact is on internal evaluation processes.TP adjustments can distort the view that upper group management has of the performance of various subsidiaries. For example, if all foreign distributors are leveled to a 3% margin for TP compliance, it becomes difficult for a CEO to discern which sales team (e.g., in Australia or China) was more effective at generating business or margin at the same purchase price.	Companies face the challenge of balancing financial performance objectives with TP compliance. There isn't one single "how-to" answer; it "goes case by case". A major factor influencing this balance is the company's financial health. It is generally easier to implement TP adjustments and ensure compliance when groups are financially sound and generate significant cash. Conversely, companies facing cash or liquidity problems may find it difficult to perform necessary TP adjustments, such as increasing the profitability of foreign producers when the parent company itself is in a loss position, as this would further deepen the loss. External constraints can also play a role. For instance, agreements related to financing, government grants, or local government incentives might require certain profit levels to be maintained in specific countries, which could potentially conflict with TP requirements.	
Interviewee 4	The link is direct because the bonus or remuneration of a manager, such as a CFO. Is measured according to the result that the company has achieved. So it is obvious that when... the company is adjusted because maybe it was too high, the bonus, given to the manager also suffers.			that there needs to be an integration, an alignment between the TP policies and the financial strategies of the company in general, but how they constant monitoring.
Interviewee 5	This issue arises frequently and is a topic clients raise often or a General Manager of a foreign distribution subsidiary, is often tied to the result or profitability achieved by their specific company. When a company's profitability is adjusted for TP purposes, for example, to bring it within the benchmark range, this adjustment directly impacts the result upon which the manager's bonus is calculated. If the result is adjusted downwards (e.g., from 10% profit to 3%), the manager may receive a smaller bonus or no bonus at all." "This creates resistance, as managers may feel the downward adjustment is unfair or doesn't reflect their effectiveness or efficiency.	This involves evaluating the manager's performance and calculating their bonus based on the result before the TP adjustment is applied.This often requires internal agreements and potentially creating separate internal reporting packages that show results pre-TP adjustment, which may differ from the numbers presented to shareholders. The recommendation is to organize internally to ensure the TP adjustment does not affect the performance evaluation of the person managing the company.		Some companies prioritize strict compliance regardless of financial state to avoid risk, while others may take more lenient positions if they are in a loss situation.

Informants' quotes			Technological impact		
	Large vs Small companies		Digitalization and Automation		
	Risk Perception and External Scrutiny	Decision-Making and Internal Dynamics	Impact on daily tasks and processes	Changing role of the TP professional and required skills	Future Outlook and Challenges
Interviewee 1		In larger companies (which often include publicly traded ones), managers tend to adapt quickly to the suggested TP policies. Managers in larger entities may be less personally invested in the results of a specific subsidiary (compared to an owner-manager) and are more likely to simply follow the prescribed policy ("Okay, this is how it's done, so it's done this way"). In contrast, smaller (often private) companies, particularly those with strong owner-manager involvement (the "entrepreneur"), can be harder to convince to adopt TP adjustments or standardize results.		Here, so if on one hand, let's say that automation, digitalization is making the simpler aspects of daily activity easier, so to speak, on the other hand, it requires, so to speak, a greater effort on our part, in the sense of having to always give more added value in the activity we do for clients, so it is no longer, so to speak, a simple preparation of TP documentation, but it is precisely a 360-degree consulting activity, I would say, here, so a greater added value, always a greater knowledge also of the legislation, not only Italian, but also foreign, precisely to understand where and what the risk potentials are and where to eventually act.	This creates a challenge: while some aspects become standardized and automated, the governance of future activities will still require human expertise and the "brain".
Interviewee 2	Differences also depend significantly on the company's overall risk appetite. Publicly traded companies are often more focused on risk minimization and structuring. Some private groups might exhibit less openness to external suggestions regarding TP strategies.	The differences observed can be influenced by the level of entrepreneurial interference in the company's operational life. Some private groups may have key decisions concentrated in the hands of a few top figures, showing less openness to external advice on TP matters.	In my opinion, it should impact it a bit more. Okay. Uhm, at the moment, perhaps not as much as it should be, as it appears, uh, also due to choices, if we want, also due to team choices, structure, here, so in always valuing, trying to value people,	Automation will increase as companies implement more digital and automated solution. One perspective suggests that the evolution of tools, including AI, could potentially lead to the replacement of some roles rather than just integration, requiring the integration of different competencies into fewer figures. Overcoming internal organizational issues and getting clients to provide information in a structured way is crucial for maximizing the benefits of automation.	
Interviewee 3	A key difference is that publicly traded companies face enormous reputational issues. They cannot afford to end up in the newspapers due to TP controversies or assessments. Consequently, they have a much greater supervision of the TP matter. Publicly traded companies are typically more prepared and ready to address TP issues. It is stated that it's very rare to find a listed company that ignores Transfer Pricing. Conversely, in many cases, private companies (especially owner-managed ones) might		Overall, numerical analysis, benchmark analysis, etc., are expected to become much simpler, allowing for many tasks to be automated	The freed-up time from automated tasks should be dedicated to providing additional insights and improvements to clients. This means finding new ways to analyze numbers, accounting, and client data using tools like AI. A critical skill required is the ability to evaluate the results generated by tools critically, understanding the underlying process rather than blindly trusting the output. If professionals don't know how to "play with the numbers, tools can become limited. Professionals need to be increasingly capable of explaining complex calculations and the technical basis of tools to clients. The shift implies a need to radically change the way professionals work. The goal is to shift from using automation just to do manual tasks more efficiently to using it to do something different that wasn't possible before" TP professionals need to be flexible and adapt to these dual changes, using their technical knowledge and tools to navigate the increasingly complex regulatory landscape	In my opinion, there will be much more automation. Because of this, regulations will be much more complex, and because of this, we should be increasingly better at explaining it... to clients and possessing the technical tools that are the basis of these tools, of these complex calculations, because... you can make the most complex regulation in the world, but put yourself in the client's shoes, let's put ourselves in the client's shoes, who has to pay 5 million in taxes based on what? Why? Because you tell me? Meaning, you've done the calculations, okay, but show them to me, explain them to me, make me understand, I want to see that they are correct.
Interviewee 4	the larger ones are more, so to speak, risk-prone compared to the smaller ones or anyway they are structured from a managerial point of view etc. that allow for a greater availability of data compared to smaller companies.		Digitalization is seen as changing simpler procedures. ◦ Examples include data collection and elaboration, where tools are being developed to automate this. ◦ Automated tools exist for conducting benchmark analyses more effectively and efficiently. ◦ Some tools allow for the more automatic preparation of standard documents, such as proposals for clients		There is a consensus that both increased automation and increased regulatory complexity will occur simultaneously. Regulatory complexity will also increase, partly driven by the need to ensure tax compliance across various countries.
Interviewee 5	Companies that are publicly traded tend to have more structured internal procedures. Overall, everything is more organized. Their TP policies are generally well-defined. There is a perception of more order and control in their TP approach. This is partly due to the need to respect formal deadlines. While some private companies also have well-defined policies, the order and control seem more pronounced in publicly traded ones		it's something that in my opinion we will see from now on, meaning since I started until now I haven't perceived all these changes at a digital level, so I think there was anyway already clearly enough digitalization in our work, but the most important change in my opinion is happening now with artificial intelligence.		surely something will be more automated, but not only because of digitalization, but also precisely because of internal regulations like Pillar 1 (Amount B) which brings some predefined margins but still involves analysis.

Informants' quotes	TP documentation				
	Resource in producing TP Documentation		Development of Coherent international policy		
	Core Analytical and Economic Tasks	Data management, collection and structuring	Primary obstacles to consistency across jurisdictions	Managing Uncertainty and Frequent Updates	Area of tax target
Interviewee 1		TP professionals report losing a lot of time because client data is provided partially, poorly structured, or requires repeated review and follow-up. This constant back-and-forth and waiting ("you see it, pick it up, drop it, wait, pick it up again, try again, drop it, wait") is where significant time is lost.		Coordination is a significant issue when proposing changes, requiring convincing not just headquarters but also all subsidiaries. Explaining changes to everyone takes time and involves navigating different time zones and repeating information.	The reason for this focus is that benchmark analysis is perceived as a subjective area and relatively easy for authorities to discuss and dispute. The valuation and nature of financial operations within the group are critical areas to monitor. Other areas that attract attention include the classification of transactions, extraordinary operations (such as the transfer of intellectual property or IP).
Interviewee 2		This need to collect and comprehend the information is seen as the major "wall" that hinders automation and standardization. One manager believes that simple tasks like benchmarks, documentation, and compliance should be possible with a click even today, but the necessary tools and willingness may not always be present. A major obstacle to automation and standardization is the difficulty in collecting and analyzing information, particularly getting data from clients in a consistent format. This is seen as the most resource-intensive aspect of documentation. Once information is collected and understood, the automated steps should be fast.		The uncertainty is not primarily driven by regulatory change itself, but by the underlying political and economic will behind the change. As long as the intentions of different jurisdictions are misaligned, uncertainty will persist and be difficult to resolve. Managing this becomes a matter of risk management, which follows the business strategy.	The level of profitability or operating result retained by the resident entity or transferred to other jurisdictions is a core area of contestation. Authorities aim to ensure the correct allocation of profits. They may focus on foreign entities showing particularly high margins or challenge the overall operating result reported by entities in their jurisdiction and the qualification of income streams (e.g., services vs. royalties) and related withholding taxes. Authorities may also look into cost components more broadly.
Interviewee 3		The most resource-intensive aspect overall is identified as the need to modify the approach to collecting documents and information for each individual client. There is often a lack of a standard format for receiving information from clients. The ideal scenario, a simple table for transactions, is rarely applicable in practice. Instead, TP professionals often receive many different files from clients (e.g., 50 different files), sometimes with overlapping data, requiring significant effort to reconcile and understand. Files are structured differently for each client.	Each state tends to interpret principles in its own way. For instance, some countries accept the interquartile range, others the median, and some the full range. Some require local comparables, while others accept regional ones.	Managing TP in a context of frequent legislative updates or uncertainty requires constant monitoring of regulations. Multinationals often manage this uncertainty by prioritizing based on risk areas. They assess the significance of the risk (both percentage and absolute value) localized in different countries. For instance, a high-percentage risk in a country with low volume might be ignored if the cost of addressing it outweighs the potential loss. Conversely, a significant risk in the country where the parent company is based and frequently audited warrants more attention.	Intercompany service transactions are also scrutinized, particularly regarding the deductibility of related costs. Authorities may question whether certain costs are inherent or properly allocated.
Interviewee 4	Performing the benchmark analysis is a task that requires a lot of time on the part of the TP professionals. The actual preparation of the documentation itself is a resource-intensive process. This is especially true when the documentation needs to be prepared not only for the Italian entity but also for foreign entities, as it requires knowledge of local regulations and tailoring the document to meet local requirements. Beyond standard documentation, extraordinary activities such as policy reviews or restructuring	The collection of financial data from companies can require a significant amount of time or resources from the companies themselves.	The principal obstacle is the difference in regulations between countries. Necessitating constant evolution and adaptation. Implementing a TP policy requires significant resources in terms of costs and time, making it a particularly resource-intensive phase for companies.	Companies are often reluctant to implement new TP policies because they perceive the change as potentially involving risks compared to the past. Being flexible is crucial to be able to change the TP policy in case of updates.	They may propose different comparable sets or modify the benchmark results to achieve a desired rectification.
Interviewee 5	The broader economic analysis within the documentation process is also highlighted as requiring significant resources. ◦ This is particularly true when transfer pricing policies are not clearly defined or when the financial results across different group entities are inconsistent (e.g., some entities are highly profitable while others are loss-making). Understanding why these discrepancies exist and justifying them requires substantial time and effort	When a client company is not internally organized or adequately trained regarding TP documentation requirements, they may not fully understand requests or are disorganized, making the process of obtaining necessary data in a timely manner more difficult and resource-intensive.	Bureaucracy in certain countries can be an obstacle. For example, some countries require intercompany contracts to be registered, which can slow down the process. Differences in how aggressively tax administrations operate can also make a consistent approach challenging.	The implementation process is often complex because it involves reconciling different countries' needs and normative frameworks.	Tax authorities frequently concentrate on benchmark analysis. This is seen as one of the most common areas for audits, particularly in Italy.

Informants' quotes	Compliance impact			
	Tax audits		Guidelines Application	
	Challenges and approach	Mitigation of disputes	Interpretation and application challenges	Systemic and external limitations
Interviewee 1			the guidelines cover everything, in my opinion, but without giving a clear indication because they cannot do it, because they apply to everyone and therefore it's a bit difficult where to go, and therefore the final part of each concept is missing, right? The practical part that you put down. Sometimes there are examples that are very useful because you follow the example and you go on autopilot. There are many examples that are missing, so to speak. Here, a part that is certainly missing is the benchmark part, precisely.	
Interviewee 2		This makes the subsequent documentation a snapshot of an already agreed-upon plan. you document everything, collect everything, keep everything, and explain everything. A recommended approach is to seek preventive dialogue with tax administrations to achieve a degree of certainty. This can involve agreements, preventive dialogue, rulings, and ex ante planning. The documentation then becomes a snapshot of something already planned. There is an increasing trend towards valuing certainty, achieved through agreements between administrations and taxpayers.	The theoretical frameworks, including the OECD guidelines and various regulations, often arise from a need for simplification. However, the real world of multinational business is much more complex, intricate, and intertwined than what is captured in these simplified frameworks. The OECD finds itself in a "grey area" attempting to provide a common interpretation of rules that are not inherently common. It tries to simplify complex realities to ensure uniformity and fair treatment. However, clear, simple, and applicable rules struggle to keep pace with an increasingly complex world.The political and economic will of different global powers makes it difficult to achieve universal agreement, and there isn't even the political will to agree. An effort to simplify and unify rules in a world unwilling to agree is inherently flawed.	Theoretical guidelines cannot fully account for external real-world factors like geopolitical changes, currency fluctuations (e.g., hyperinflation or devaluation), or political decisions like tariffs. Even within closer blocs like the EU, efforts to create uniform directives on TP or a common consolidated corporate tax base have failed.
Interviewee 3	Authorities might shift their focus or interpretation, making it difficult for companies to predict where the next challenge will arise. Once a company addresses one risk area, authorities might find another angle. There is an asymmetry of information. Taxpayers and their consultants do not have access to the vast amount of data, controversy outcomes, and internal statistics that tax authorities possess. This gives authorities a significant advantage in disputes.		A major issue is that the OECD guidelines presuppose that all countries interpret them in the same way, which is not the case. There is a disconnect between those who write the rules and how they are interpreted and applied. Practical application of certain theoretical methods can be difficult.	Ultimately, the source of uncertainty and difficulty in applying theoretical guidelines uniformly is the lack of political and economic will among different jurisdictions to truly agree and align.
Interviewee 4		Multinational companies must engage in constant monitoring of relevant regulations and the financial performance of their entities in different jurisdictions. Seeking preventive dialogue or agreements with tax administrations (such as rulings or advance pricing agreements) is a recommended strategy to achieve a degree of certainty regarding TP treatment ex ante " Robust Transfer Pricing documentation is crucial. While it doesn't guarantee freedom from rectification, having compliant documentation avoids the application of penalties if adjustments are made.	While the OECD guidelines consider CUP the most reliable and preferred method, in practice, it is often difficult to apply because it requires a level of observation and analysis that is more resource-intensive compared to methods like the TNMM (Transactional Net Margin Method). Finding the necessary data for CUP is not always easy or accessible in the market. As a result of the difficulty in applying methods like CUP, companies often resort to compromises, frequently defaulting to the TNMM because it is perceived as easier to apply and is generally accepted by tax authorities.	While the TP analysis should ideally reflect these, finding truly comparable companies operating under similar geopolitical/economic conditions is difficult.
Interviewee 5		Focusing on demonstrating substance in the operations conducted in each jurisdiction can be a defense against challenges, although sources suggest this is sometimes overlooked by authorities in favor of purely numerical adjustments.	not all cases are covered, a more particular case, then clearly you have to manage to find a solution, but sometimes yes, they are simply difficult to interpret because... they are so generic that you can't quite grasp exactly what they mean, meaning what they mean, what is the best way to apply the TP policy in that particular case.	