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Transfer Pricing

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A blue geometric graphic consisting of several overlapping trapezoidal shapes in various shades of blue, similar to the one on the first slide, positioned to the left of the text.

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Overview

Industry Overview and Concerns

IRS Enforcement– personnel changes and cases

APA and competent authority

-updates

-new Revenue Procedures

BEPS-related changes

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O&G Transfer Pricing Concerns

O&G companies face many of the same uncertainties other MNE's face related to planning for economic uncertainty and regulatory uncertainty

O&G companies are facing significant uncertainty

- **Profit/Losses are volatile**
- **Hard to predict cycles; different locations are impacted differently**
- **Equipment and personnel move and stay various lengths of time in offshore or onshore locations**
- **Capacity utilization risk**
- **AR risk**
- **Market price changes on demand and supply side**

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International Political Environment

- Business ramps up or slows down due to customer needs, macro economic factors, changing political/regulatory factors including privatization, bans, access to markets, price fluctuations on the output or input sides, etc.
 - Predictions where and when these events will occur and where profits or taxable income will be earned
 - Work in Developing countries with untested transfer pricing practices and uncertain political environments, uncertain reliance on rule of law
 - Energy companies often are the largest foreign businesses in these countries
 - Many of these economies can find themselves in overextended fiscal situations, especially if they are dependent on energy revenue; if the revenue from the energy industry falls short, they may resort to tax and other regulation which are costly or uncertain for businesses and may impact the ability to profitably operate in these countries;
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Current Topics

Like all MNES's O&G companies are asking

- How BEPS will be implemented
 - what to expect in controversy / no mediation?
 - How to adapt transfer prices, compliance, and planning structures
 - How to prepare for controversy
 - Whether to still rely on the arm's length standard or something that departs from the arm's length standard
 - How will tax authorities interpret the information provided in CbC?
 - Will CbC replace or increase the need to product quality transfer pricing reports globally?
 - How will different countries interpret the data requirements, define the data?
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"Transfer Pricing Enforcement and Defense"