

APPENDIX 1

Requirements for transfer content pricing documentation

A TP documentation consists of a triple documentation requirements, consisting of a master file, which covers the entire group, national documentation, local file, which covers an individual tax entity's controlled transactions, and for very large enterprises, a country-by-country report

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MASTERFILE

A master file must address relevant aspects of the group as a whole. Those requirements include extensive information on:

A **group diagram**, showing the legal and organizational structure, including the countries in which the individual group companies operate;

- » all companies in the group must be shown individually in the diagram;
- » shareholdings held by the parent company in the various group companies;
- » the geographical location /and tax jurisdiction) for each company in the group;
- » the organisational/commercial function of each company.

A general description of **the group's commercial activities; the main value-creating factors;**

- » the significant value-creating factors;
- » a description of the group's supply chain;
- » a list with a brief description of the main service agreements;
- » a description of the biggest geographical markets, measured by turnover;
- » a short function analysis;
- » a description of major restructurings, acquisitions and disposals.

A list of **the group's intangible assets;**

- » a general description of the group's overall strategy concerning its intangible assets;
- » a list of the tangible assets in the group;
- » a list of the main contracts for the use and development of intangible assets;
- » a description of the group's general TP policy regarding intangible assets
- » description of transfers of rights to intangible assets.

A description of **the group's financial activities;**

- » how the group is financed;
- » identification of group companies with a central financing function;
- » description of the group's TP policies regarding its financial arrangements.

A description of **the group's accounting and tax position;**

- » the group's consolidated accounts;
- » a list and brief description of the group's existing unilateral APAs (Advanced Pricing Agreement) and tax agreements.

LOCAL FILE

A Local file must be compiled for each tax entity and must contain company-specific information. The requirements include:

A detailed **description of the enterprises;**

- » a description of the enterprise's management and organisation;
- » a description of the enterprise, its business strategy and any restructurings etc.;
- » restructurings – relocation of change of functions, assets or risks;
- » a description of the main competitors.

Details, descriptions and analyses concerning the **controlled transactions** the enterprise has been involved in;

- » general description of all the enterprise's controlled transactions;
- » copies of agreements within the group;
- » a detailed description of each transaction or activity, comparison analysis.

Material concerning **the enterprise's economic, financial and accounts data;**

- » if there is an audited financial statement for the tax entity for the income year, it must be attached, and if not, then a non-audited financial statement must be attached instead, if one exists;
- » data and allocation tables showing how the accounting data used for the TP method can be reconciled with the financial statements for the tax entity;
- » overviews and tables showing the relevant economic, financial and/or accounts data for the comparable independent transactions used for the TP analysis, along with the sources of such data.

Local files for the companies must be compiled for their controlled transactions and submitted with the master file compiled at group level, usually by the ultimate parent company.

COUNTRY-BY-COUNTRY REPORT

A country-by-country report need only be compiled for companies with a consolidated turnover of at least DKK 5.6 billion. The reporting duty is two-fold and consists of a statement of which company is submitting the country-by-country report and submission of the report. Companies covered by these rules have to inform the Danish Tax Authority that they are subject to the country-by-country reporting duty, including which company in the group is submitting the report.

The TP documentation must be compiled on a regular basis, and form the basis for evaluation of whether prices, terms and conditions are set in accordance with what could be achieved if the transactions were concluded between independent parties (arms-length price). The TP documentation must therefore be compiled individually for each year, which means it cannot cover several year, or refer to TP documentation from previous years.

In connection with a tax audit, the Danish Tax Authority can request supplementary details on materials, including on more information and checking the details, descriptions and analyses given in the master and local files.

If you have any questions,

or need help to compile or check your documentation, please contact your local Dansk Revision office.

DANSK REVISION

Transfer pricing documentation