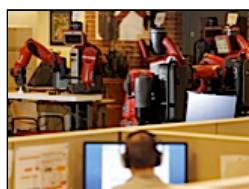


*Tax Planning International Asia-Pacific Focus: News Archive
2018
Latest Developments
Articles*

Disruptive technologies such as the cloud systems and blockchain are projected to have a significant impact on the workflows of various sectors. In addition to these new technologies, robotic process automation ("RPA") is expected to influence the field of process management significantly. What are the benefits of RPA in transfer pricing?

Transfer Pricing

Benefits of Robotic Process Automation in Transfer Pricing



Başak Diclehan KPMG Turkey

Başak Diclehan is Director, Global Transfer Pricing Services, KPMG Turkey

The first three phases of the Industrial Revolution ("IR") consist sequentially of mechanization, transition to mass production with the usage of assembly lines, and automation of the production systems. Today, we are in the fourth phase of IR. This phase is named "Industry 4.0," which consists of the integration of virtual platforms and production systems.

What is RPA?

Automation means taking advantage of the efficiency of robotics, which has emerged along with the fourth IR. RPA manages workflows via software applications rather than the actual robots used in the conventional "automation."

RPA builds on predetermined rules and algorithms and implements them to the regular and routine workflows and does not require any human involvement. In the long-term, RPA has the potential to offer great advantages in, among others:

- (i) insurance, where there are routine processes, such as the claims processing and underwriting and pricing management;
- (ii) banking, where numerous mostly predetermined and redundant (or routine) transactions occur every day; and
- (iii) the legal sector, where the archiving with its predetermined and routine tasks is an immense daily activity and requirement.

In today's highly competitive world, cost cutting, adaptation to challenging business environment, and minimizing failures are considered essential. Therefore, RPA's benefits align themselves with these essential elements and single RPA out from other recent developments.

The main difference that separates RPA from conventional software programs is that RPA connects various software programs by an interface without altering the existing operating system. Because the infrastructure of the existing system stays the same, there are no incurred costs in relation to the implementation of RPA, whose

phases consist sequentially of determining and analyzing the relevant process, designing and customizing the process in virtual platforms, and finally testing the whole process.

...RPA leads to a visibly more efficient process management

To sum up, RPA leads to a visibly more efficient process management.

RPA in Transfer Pricing

The aim of transfer pricing is to determine the arm's length prices of the transactions that are related to goods and services exchanged between related parties. To determine the prices of these intercompany transactions, which occur regularly and frequently especially in a multinational enterprise ("MNE") appropriate, transparent and generally accepted pricing methods must be developed and applied. An actual and ordinary transfer pricing process usually consists of identifying intercompany transactions, applying predetermined transfer pricing methods, and a preparation of the invoice for the intercompany goods and services exchanged.

We observe that in many MNEs, this process is based on routine and certain standards, and in addition repeated frequently. Meanwhile, complex supply chain and multinational operational structures may make it (more) difficult to determine and follow transparently transfer prices in harmony with the local regulations. RPA helps MNEs even under these complexities by managing centrally the workflow of transfer pricing via facilitating data collection, analysis, operational transfer pricing, and reporting.

Data Collection and Analysis

RPA collects and stores the intercompany transactions, reserved as IFRS or local accounting standards, issued either daily or monthly or annually, and facilitates in user friendly access of all relevant information for analyses by all relevant and involved parties. As a result, the data extracted from the ERP programs help not only to evaluate the value chains of companies but also to set up the proper transfer pricing policies of MNEs.

Operational Transfer Pricing

RPA already assists to process predetermined transfer pricing methods, determine the final transfer price and producing invoices. So, the management of operational transfer pricing with a minimal failure rate along with more transparency is possible under RPA. Another RPA contribution consists of calculation of product or service based profitability, allocation of the costs regarding parties involved in intercompany transactions and instantly monitoring the profitability of the entities which enables to consistently calculate the transfer pricing adjustment amounts. In addition, it is also possible to automatically calculate additional customs liabilities, arising from aforementioned adjustments.

Reporting

Because data can be analyzed more easily, comprehensively and much faster with the use of RPA, performance in reporting should be more efficient. To be more specific, the local transfer pricing report, which is prepared annually, can be finalized in a more transparent way. Further, it is also possible to prepare the data, needed for the Country-by-Country Reporting, which companies prepare as a part of base erosion and profit shifting ("BEPS") actions plans.

Planning Points

Disruptive technologies enable workflows to be more automated and efficient.

The expansion of RPA is expected to generate the same amount of output with less labor input, leading to either input substitution (i.e., less labor and less labor costs) or a redeployment of labor into other aspects/fields of a business, where labor may help to add more value.

At KPMG, we foresee that RPA will assume increasingly more dominant roles in the day-to-day business conduct, and that RPA has the capacity to reshape the structure of competition in a sector in a domestic setting or even for a given country in the world economy.

Companies operating globally can start to review their currently manual processes, the resources they already have and the possible workflows which can be automatized with the use of RPA. Eventually, we will witness how RPA will impact the workflows in many fields including transfer pricing.

For More Information

Başak Diclehan is Director, Global Transfer Pricing Services, KPMG Turkey.

Contact us at <http://www.bna.com/contact-us/> or call 1-800-372-1033

ISSN 1947-3923

Copyright © 2018, The Bureau of National Affairs, Inc. Reproduction or redistribution, in whole or in part, and in any form, without express written permission, is prohibited except as permitted by the BNA Copyright Policy.