

Chapter 6

Transfer Pricing Methods

6.1. Introduction to Transfer Pricing Methods

6.1.1. This part of the Chapter describes several transfer pricing methods that can be used to determine an arm's length price and describes how

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management, outbound logistics, marketing and sales activities, after sale services, supporting activities, services, advertising, financing and management, etc. The functional analysis must specify which party performs each activity and in case both parties are involved in performing an activity it should provide for the relevant differences; for example both have inventories but Company A holds inventories for a period of up to 2 years whereas company B only holds inventories for a period of 1 month. The activities

comparable transactions are also referred to as uncontrolled transactions because the parties involved in the transactions are independent of each other. Although uncontrolled transactions or independent unrelated companies are usually used as comparables for transfer pricing purposes, in practice it is sometimes not possible to identify reliable comparable data in the same markets. In such cases practical solutions should be sought in good faith by taxpayers and the tax administration. Comparability issues are discussed in detail at Chapter 5.

6.1.2.6.2. Solutions may include the following:

Searching for comparables in other industries where such comparable companies have similar functions, assets and risks.

Searching for comparables in other geographical regions that share certain key similarities with the country in which a company conducts its business.

Using industry analyses (publicly available or conducted internally by the company) to identify profit levels that can reasonably be expected for various routine functions (e.g. production, services, distribution).

The suggestions above are not intended to be exhaustive, neither is any preference implied by the ordering of the alternatives. Rather, the approaches above are presented as examples of what might be done and are included for information purposes only. It may also be that due to difficulty in obtaining access to (publicly available) data, in certain instances methods other than the ones presented above may need to be used.

6.1.2.7. Intangibles: Among the factors to be considered to select the most appropriate method to the circumstances of the case it is important to determine which party has developed or acquired the intangibles and in what capacity,² which party has the legal ownership and which receives the benefit of the certain benefit *

6.2.1.3. In applying the CUP method to determine whether the price charged

6.2.2.5. Reasonably accurate adjustments may be possible for differences in:

The type and quality of the products (e.g. unbranded Kenyan as compared with unbranded Brazilian coffee beans);

Delivery terms. E.g. Associated Enterprise 1 in Figure 1 sells similar bicycles to Associated

6.2.2.6. Reasonably accurate adjustment may *not* be possible for:

Unique and valuable trademarks (e.g. assuming Associated Enterprise 1 in Figure 1 is engaged in high value branded goods, e.g. watches instead of bicycles, and attaches its valuable trademark to the goods transferred in the controlled transaction, while uncontrolled transaction #1 concerns the transfer of goods that are not branded). The effect of the trademark on the price of a watch may be material. However it will be difficult, if not impossible, to adjust for effect of the trademark on price since the trademark is an intangible asset that is unique. If reasonably accurate adjustments cannot be made to account for a material product difference the CUP method may not be the appropriate method for the transaction); and

Fundamental differences in the products (e.g. if the products being sold are significantly different from the products sold in the proposed comparable transaction it may not be possible to adjust for the product differences).

6.2.2.7. Notwithstanding the difficulties often associated with adjustments to address the sources of non comparability described above, the need to make adjustments should not automatically prevent the use of the CUP method. It is often possible to perform reasonably accurate adjustments. If reasonable adjustments cannot be performed the reliability of the CUP method is decreased. In these circumstances another transfer pricing method may be more appropriate.

6.2.3. Strengths and Weaknesses of the CUP:

6.2.3.1. The strengths of the CUP method include that it:

is a two sided analysis as the price used reflects the agreed price between two unrelated parties to the transaction;

avoids the issue of which of the related parties involved in the controlled transaction should be treated as the tested party for transfer pricing purposes;⁵

involves a direct transactional comparison of a similar transaction between unrelated parties. That is, it is a more direct measure of the arm's length price than the other methods, all of which indirectly determine arm's length prices through evaluation of arm's length profits. As it is a more direct measure, the CUP method is less susceptible to differences in non transfer pricing factors (such as differences in the accounting treatment of costs between controlled and uncontrolled parties);

It may be more readily used in instances such as, for example, transactions involving commodity products.

6.2.3.2. The weakness of the CUP method lies in the difficulty of finding comparable uncontrolled transactions in the light of the comparability standards that must be observed, particularly with respect to the comparability of products, intellectual property or services.

6.2.4. When to use the CUP Method

⁵ This issue arises if the other two traditional transaction methods are applied. The other traditional methods determine a transfer price from the perspective of the tested party in the analysis. For example, if the resale price method is used, the related party sales company is the tested party in the transfer pricing analysis. If the cost plus method is used, the related party manufacturer will be the tested party. The resulting transfer prices based on these two methods may very well differ from each other. The choice of the tested party is also significant in the t063 Tc001 Tc-

6.2.4.1. In cases where comparable uncontrolled transactions can be found the CUP method is typically a very reliable method to use in determining whether the terms of commercial and financial transactions between associated enterprises are arm's length. This implies that an examiner should always consider the feasibility of applying the CUP method. That is, an examiner should probably always consider whether it is possible to locate acceptable internal comparables and external comparables. Consequently, a question that should be asked in any analysis is whether one of the associated enterprises involved is engaged in transactions with independent enterprises.

6.2.4.2. In the example represented in Figure 1 above, this would involve two distinct questions: (i)

6.2.5.2. Example 2: Effect of Trademark

The facts are the same as in Example 1 except that MCO affixes its valuable trademark to the property sold in the controlled transactions but does not affix its trademark to the property sold in the uncontrolled transactions. Under the facts of this case the effect on price of the trademark is material and cannot be reliably estimated. As there are material product differences for which reliable adjustments cannot be made the comparable uncontrolled price method is unlikely to provide a reliable measure of the arm's length result.

6.2.5.3 Example 3: Minor product differences

The facts are the same as in Example 1 except that MCO, which manufactures business machines, makes minor modifications to the physical properties of the machines to satisfy specific requirements of a customer in controlled sales. MCO does not however make these modifications in uncontrolled sales. Only if the minor physical differences in the product have a material effect on prices should adjustments be made to the results of the uncontrolled transactions to account for these differences. These adjusted results may then be used as a measure of the arm's length result.

6.2.5.4. Example 4: Effect of geographic differences

FM, a specialty radio manufacturer, sells its radios to a controlled distributor, AM, within the western region of Country A. FM sells its radios to uncontrolled distributors to serve other regions in Country A. The product sold in the controlled and uncontrolled transactions is the same and all other circumstances surrounding the controlled and uncontrolled transactions are substantially the same other than the geographic differences. If the geographic differences are unlikely to have a material effect on price, or they have definite and reasonably ascertainable effects for which adjustments are made, then the adjusted results of the uncontrolled sales may be used under the comparable uncontrolled price method to establish an arm's length price. If the

6.2.6.2. Application of the Resale Price Method. The resale price method analyzes the price of a product that a related sales company (i.e. Associated Enterprise 2 in Figure

margin. The resale price

6.2.8.3. In practice transactional comparisons are more likely to achieve broad product and accounting

account in this respect as differences in functions performed are frequently reflected in different operating expenses.

6.2.9.6. The following issues should be considered in determining whether the functions performed by an uncontrolled entity are comparable to the functions performed by a controlled entity for purposes of applying the resale price method:

In contrast to the CUP method, the reliability of the resale price method can be influenced by factors that have less effect on the price of a product than on the costs of performing functions. Such differences could affect gross margins even if they do not affect the arm's length prices of products (e.g. the composition of COGS). These factors could include cost structures (e.g. accounting practices), business experience (e.g. start up phase or mature business) or management efficiency;

A resale price margin requires particular attention where the reseller adds substantially to the value of the product, for example by assisting considerably in the creation or maintenance of intangible property related to the product (e.g. trademarks or trade names) or where goods are further processed into a more complicated product by the reseller before resale);

The amount of the resale price margin will be affected by the level of activities performed by the reseller. For example, the distribution services provided by a reseller acting as a sales agent will be less extensive than those provided by a reseller acting as a buy sell distributor. The buy sell distributor will obviously obtain a higher compensation than the sales agent;

If the reseller performs a significant commercial activity in relation to the resale activity itself, or if it employs valuable and unique assets in its activities (e.g. valuable marketing intangibles of the reseller), it may earn a

range. However, the resale price method does not necessarily result in positive operating profits to be earned by the tested party.

6.2.10.2. The weaknesses of the resale price method include:

It may be difficult to find comparable data on gross margins due to accounting inconsistencies; and
The method involves a one sided analysis, as its focus is on the related sales company as the tested party in the transfer pricing analysis. It is possible that the arm's length gross profit margin and hence transfer price, which is based on a benchmarking analysis, can lead to an extreme result for the related supplier of the sales company (e.g. the supplier might experience a loss even though its supplier is profitable).

6.2.11. When to use the Resale Price Method

6.2.11.1. In a typical intercompany transaction involving a fully fledged manufacturer owning valuable patents or other intangible properties and affiliated sales companies which purchase and resell the products to unrelated customers, the resale price method is an appropriate method to use if:

- the CUP method is not applicable;
- the sales companies do not own valuable intangible properties; and
- reliable comparisons can be made on COGS.

6.2.11.2. It is useful to consider the example of Figure 2. It is assumed here that Associated Enterprise 1 owns valuable patents to manufacture the bicycles and a valuable trademark to sell the bicycles. The trademark is owned by Associated Enterprise 2, which is a sales company. The trademark is used to sell the bicycles. The trademark is used to sell the bicycles.

6.2.12. Case Examples of the Resale Price Method

6.2.12.1 Example 1

A controlled taxpayer sells property to another member of its controlled group that resells the property in uncontrolled sales. It is for all practical purposes assumed that there are no changes in the beginning and ending inventory for the year under review. Information regarding an uncontrolled comparable is sufficiently complete to conclude that it is likely that all material differences between the controlled and uncontrolled transactions have been identified and adjusted for. If the applicable resale price of the property involved in the controlled sale is \$100 and the appropriate gross profit margin is 20%, then an arm's length result of the controlled sale is a price of \$80 (\$100 minus (20%×\$100)).

6.2.12.2 Example 2

(i) SCO, a Country B corporation, is the distributor for FP, its foreign parent. There are no changes in the beginning and ending inventory for the year under review. SCO's total reported cost of goods sold is \$800, consisting of \$600 for property purchased from FP and \$200 for other costs of goods sold incurred to unrelated parties. SCO's applicable resale price and reported gross profit are as follows:

Applicable resale price.....	\$1000
Cost of goods sold:	
Cost of purchases from FP.....	600
Costs incurred to unrelated parties.....	200
Reported gross profit.....	200

(ii) The local taxing authority determines that the appropriate gross profit margin is 25%. Therefore, SCO's appropriate gross profit is 250 (i.e. 25% of the applicable resale price of \$1000). As SCO is incurring costs of sales to unrelated parties, an arm's length price for property purchased from FP must be determined under a two step process. First, the appropriate gross profit (\$250) is subtracted from the applicable resale price (\$1000). The resulting amount (\$750) is then reduced by the costs of sales incurred to unrelated parties (\$200). Therefore, an arm's length price for SCO's cost of sales of FP's product in this case equals \$550 (i.e., \$750 minus \$200) and not \$600.

6.2.12.3 Example 3

FM, a foreign manufacturer, sells Product to UCO, its subsidiary in Country U, which in turn sells Product to its domestic affiliate BCO. BCO sells Product to unrelated buyers. In this case, the applicable resale price is the price at which BCO sells Product in uncontrolled transactions. The determination of the appropriate gross profit margin for O

treat certain costs such as discounts and insurance as cost of goods sold, while TCO treats such costs as operating expenses. In such cases, accounting reclassifications must be made to ensure

6.2.13 Cost Plus Method

6.2.13.1. In a controlled transaction involving tangible property the cost plus method focuses on the related manufacturing company as the tested party in the transfer pricing analysis. The cost plus method may also be used in the case of services rendered.

6.2.13.2. The cost plus method begins with the costs incurred by the supplier of property (or services) in a controlled transaction for property transferred or services provided to a related purchaser. An appropriate cost plus mark up is then added to this cost, to make an appropriate gross profit in light of the functions performed, risks assumed, assets used and market conditions.

6.2.13.3. The cost plus method is used to analyze transfer pricing issues involving tangible property or services. It is typically most usefully applied to manufacturing or assembling activities and relatively simple service providers. The cost plus method focuses on the related party manufacturer or service provider as the tested party in the transfer pricing analysis. The method evaluates the arm's length nature of an intercompany charge by reference to the cost of the goods or services provided.

complex in terms of functions and risks than Associated Enterprise 2, the analysis under the CUP method would focus on Associated Enterprise 1 as the tested party. Since Associated Enterprise 1 is a simple manufacturer, the cost plus method may be the best method of analysis in this case. The cost plus method analyses whether the gross profit mark up earned by Associated Enterprise 1 is arm's length by reference to the gross profit margins earned by companies manufacturing comparable goods for

repair department that services equipment used to manufacture different

Consequently, it would be more likely in these circumstances that a net margin method would be used (see below).

6.2.16.4. Based on benchmarking and financial analyses an arm's length range of gross profit mark ups earned by comparable independent manufacturers will be determined. If the gross profit mark up earned by the related party manufacturer falls within this range, then its transfer price will be considered arm's length.

6.2.17. Comparability

6.2.1.17.1 An uncontrolled transaction is

then it may be necessary to determine an appropriate additional return to such function and permit a separate return for these additional functions. Similarly, if the comparables perform functions not performed by the tested party, then the return for

The facts are the same as in Example 1 above, except that under its contract with FS, LCO uses materials consigned by FS. UT1, UT2, and UT3, on the

independent enterprises in otherwise comparable circumstances. Where complexities make the application of the traditional transaction methods addressed in the previous chapter

comparison of net rather than gross profit margins. Figure 4 below and the rest of this section will further illustrate this distinction.¹¹

Associated Enterprise 1, a bicycle manufacturer in country 1, sells bicycles to Associated Enterprise 2 which resells the bicycles to the independent enterprise, a bicycle dealer in country 2. Assume that Associated Enterprise 1 is the more complex party, controlling a

6.3.3.4. The application of the TNMM would entail an analysis of the least complex party – in this case the distributor. Consequently analysis would entail a search for comparable distributors taking into account the comparability standard of this method. An application of the TNMM focusing on the related party manufacturer as the tested party could be, for example, the situation in which Associated Enterprise 1 is a contract manufacturer. In such a case, the contract manufacturer will typically be the least complex entity as MNEs often separate the ownership of valuable technology intangibles from the manufacturing function. The cost plus method would normally be considered if the CUP method cannot be applied. However, due to the accounting inconsistency mentioned above, it may be appropriate to apply the TNMM using a financial ratio based on net profit margin that is appropriate for a manufacturer (e.g. return on total costs).

6.3.4. Mechanism of TNMM

6.3.4.1. The next question is how to determine the transfer price based on the application of the TNMM? The mechanism of the TNMM is similar to the mechanisms of the resale price and cost plus methods as can be seen in the following examples.

6.3.4.2. Related party distributor: In applying the resale price method to establish an arm's length transfer price the market price of products resold by the related party

Table 2: Mechanism of TNMM applied on Related Party Distributor

	Initially	Benchmarking analysis
Resale price	\$ 10,000	\$ 10,000
Cost of goods sold	\$?	\$ 7,500
Gross profit	\$?	\$ 2,500
Operating expenses	\$ 2,000	\$ 2,000
Operating profit	\$?	\$ 500 (5 % of resale price)

6.3.4.4. Related party manufacturer: In applying the cost plus method to establish an arm's length transfer price the cost of goods sold of the related party manufacturer is known. The arm's length gross profit mark up is based on a benchmarking analysis. The transfer price or sales revenue of the related party manufacturer is the unknown variable. Assuming cost of goods sold of \$5,000 and a gross profit mark up of 50%, the transfer price amounts to \$7,500;¹⁵

Table 3: Mechanism of Cost Plus Method

	Initially	Benchmarking analysis
Sales price	\$?	\$ 7,500
Cost of goods sold	\$ 5,000	\$ 5,000
Gross profit	\$?	\$ 2,500

cost of goods sold	\$ 5,000	\$ 5,000
Gross profit	\$?	\$ 2,500
Operating expenses	\$ 1,000	\$ 1,000
Operating profit	\$?	\$ 1,500 (25 % of total cost)

6.3.5. Examples¹⁷

6.3.5.1. Example 1: Transfer of tangible property resulting in no adjustment

(i) FP is a publicly traded Country A corporation with a Country B subsidiary named BCO that is under audit for its 2009 taxable year. FP manufactures a consumer product for worldwide distribution. BCO imports the assembled product and distributes it within Country B at the wholesale level under the FP name.

(ii) FP does not allow uncontrolled taxpayers to distribute the product. Similar products are produced by other companies but none of them is sold to uncontrolled taxpayers or to uncontrolled distributors.

(iii) Based on all the facts and

A	1.7	\$8,840
B	3.1	\$16,120
C	3.8	\$19,760
D	4.5	\$23,400
E	4.7	\$24,440
F	4.8	\$24,960
G	4.9	\$25,480
H	6.7	\$34,840
I	9.9	\$51,480
J	10.5	\$54,600

A	2.6	\$13,000
F	2.8	\$14,000
B	2.9	\$14,500

6.3.5.4. Example 4: Transfer of intangible to offshore manufacturer

(i) DCO is a developer, producer and marketer of products. DCO develops a new "high tech product" (htp) that is manufactured by its foreign subsidiary HCO located in Country H. HCO sells the htp to JCO (an H Country subsidiary of DCO) for distribution and marketing in Country H. The taxable year 2009 is under audit, and the taxing authority examines whether the royalty rate of 5 percent paid by HCO to DCO is an arm's length consideration for the htp technology.

(ii) Based on all the facts and circumstances the taxing authority determines that the TNMM will provide the most

	minus cash and investments
Operating Margin (OM)	Operating profit divided by sales
Return on Total Costs (ROTC)	Operating profit divided by total costs
Return on Cost of Goods Sold	Gross profit divided by cost of goods sold
Berry Ratio	Gross profit divided by operating expenses

6.3.7.2. Key Definitions

The “gross profit” is arrived at by deducting from the total sales the cost of sales, including all the expenses directly incurred in relation to those sales.

Operating profit or operating income is the income of a company net of direct and indirect expenses but before deduction for interest and taxes. It is defined as sales minus COGS minus operating expenses (alternatively expressed as gross profit minus operating expenses). “Operating profit” is a better term than “net profit” because net profit is also used to represent the profit of a company after interest and taxes have been subtracted. Further, the term “operating profit” indicates more clearly that only profits resulting from operating activities are relevant for transfer pricing purposes.

6.3.7.3. Although all the above PLIs are possible, the three PLIs (i) return on capital employed (ROCE) (ii) operating margin (OM) and (iii) Return on total cost (ROTC) are most used in practice. The Berry Ratio may also be used but subject to certain concerns about inappropriate use of Berry ratio.¹⁹ An OM is typically used for marketing, sales and distribution activities; a Berry ratio may sometimes be used for service of distribution activities; and full cost plus, ROCE or ROA are typically used for manufacturing activities. The ROA and ROCE divide operating profit by a balance sheet figure. These PLIs are based on assets actively employed in the business. Such tangible assets consist of all assets minus investments (e.g. in subsidiaries), minus cash and cash equivalents beyond

6.3.7.5. The Berry Ratio represents a return on a company's value added functions on the assumption that these value added functions are captured in its operating expenses. It has been observed in practice that the Berry Ratio is

Table 6:

profits of the associated enterprise that are attributable to simpler controlled transactions or functions. The TNMM should should

6.3.10.4. An analysis considering multiple year data is better able to take into account the effects on profits of product life cycles

it may be difficult to “work back” to a transfer price from a determination of the arm’s length net margins; and

some countries do not recognize the use of TNMM. Consequently, the application of TNMM to one of the parties to the transaction may result in unrelieved double taxation when the results of the TNMM analysis are not accepted for the other party.

6.3.12. When to use the TNMM

6.3.12.1. TNMM is usually applied with respect to broad comparable functions rather than discrete controlled transactions. Returns to these functions are typically measured by a PLI in the form of a net margin that arguably will be affected by factors unrelated to arm’s length pricing. Consequently, one might expect the TNMM to be a relatively disfavoured method. Nevertheless TNMM is typically applied when two related parties engage in a continuing series of transactions and one of the parties controls intangible assets for which an arm’s length return is not easily determined. Since TNMM is applied to the party performing routine manufacturing, distribution or other functions that do not involve control over such intangible assets, it allows the appropriate return to the party controlling unique or difficult to value intangible assets to be determined indirectly.

6.3.12.2. TNMM may also be appropriate for use in certain situations in which data limitations on uncontrolled transactions make it more reliable than traditional methods. TNMM may be more attractive if the data on gross margins are less reliable due to accounting differences (i.e. differences in the treatment of certain costs as cost of goods sold or operating expenses) between the tested party and the comparable companies for which no adjustments can be made as it is impossible to identify the specific costs for which adjustments are needed. In such a case, it may be more appropriate to use TNMM to analyze net margins, a more consistent measured profit level indicator than gross margins in case of accounting differences.

6.3.12.3. Consider the example in Table 8 below, where the related party distributor earns a gross profit margin of 20% while the comparable distributor earns a gross profit margin of 30%. Based on the resale price method one could conclude that the transfer price of the related party distributor is not arm’s length. However, this conclusion may be incorrect if, due to accounting inconsistency, the related party differs from the comparable distributor in allocating costs between cost of goods sold and operating expenses.

6.3.12.4. For example it may be the case that the related party distributor treats warranty costs as cost of goods sold while the comparable distributor treats such costs as operating expenses. If the warranty costs of the comparable distributor can be identified precisely, then appropriate adjustments on the gross profit level can be made. In practice, however, such detailed information about the distributor’s costs cannot be obtained from publicly available information. It may then be more appropriate to perform a net margin method of analysis where such accounting inconsistency has been precisely identified and more consistently applied.

Table 8: Accounting Differences: Resale Price Method versus TNMM

	Related Party Distributor	Comparable Distributor
Selling price	100	100
<u>Cost of goods sold</u>	<u>80</u>	<u>70</u>
Gross Profit	20	30
<u>Operating expenses</u>	<u>10</u>	<u>20</u>
Operating profit	10	10

Also, if the available comparables differ significantly with respect to products and functions, making it difficult to reliably apply the cost plus or resale price method, it may be more appropriate to apply the TNMM because net margins are less affected by such differences. For example in performing a benchmarking analysis for the purposes of the resale price or cost plus method it may appear that exact product and functional comparables cannot be found. In fact the comparables differ substantially regarding product and functional comparability. In such a case the TNMM might be more reliably applied using such comparables.

6.3.12.5. Finally, TNMM may be attractive if the data is simply not available to perform a gross margin method of analysis. For example this may be the case if the gross profits of comparable companies are not published and only their operating profits are known. The cost of goods sold by companies may also not be available, therefore only a

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step 1: allocation of sufficient profit to each enterprise to provide basic arm's length compensation for routine contributions. This basic compensation does not include a return for possible valuable intangible assets owned by the associated enterprises. The basic compensation is determined based on the returns earned by comparable independent enterprises for comparable transactions or, more frequently, functions. In practice TNMM is used to determine the appropriate return in step 1 of the residual analysis; and

step 2: allocation of residual profit (i.e. profit remaining after step 1) between the associated enterprises based on the facts and circumstances. If the residual profit is attributable to intangible property then the allocation of this profit should be based on the relative value of each enterprise's contributions of intangible property.

6.3.14.5. The residual analysis is typically applied in cases where both sides of the controlled transaction contribute valuable intangible property to the transaction. For example company X manufactures components using valuable intangible property and sells these components to a related company Y which uses the components and also uses valuable intangible property.

profit split method is applicable in complex industries such as, for example, the global financial services business.

6.3.17.2. The (residual) profit split method is typically used in complex cases where both sides to the controlled transaction own valuable intangible property (e.g. patents, trademarks and trade names). If only one of the associated enterprises owns valuable intangible property, the other associated enterprise will be the tested party in an analysis using the cost plus, resale price or transactional net margin methods. However, if both sides own valuable intangible properties for which it is impossible to find comparables, then the profit split method might be the most reliable method. A practical example would be where company A designs and manufactures electronic components and transfers the components to a related company B which uses them to manufacture an electronic product. Both company A and company B use innovative technological design to manufacture the components and electronic product, respectively. Company C, a related company, distributes the electronic products. Assuming that the transfer price between company B and company C is arm's length based on the resale price method, the residual profit split method is applied to determine the arm's length transfer price between company A and company B because both companies own valuable intangible

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adapts XYZ products for the defence market, as well as a well developed marketing network that employs brand names that it has developed.

(iii) XYZ Asia's research unit alters Stelon to adapt it to military specifications and develops a high intensity marketing campaign directed at the defence industry in several Asian countries. Beginning with the 2009 taxable year, XYZ Asia manufactures and sells Stelon in Asia through r