

Team

Stig Sollund

Joe Andrus - Melinda Brown - Toshio Miyatake

Monique van Herksen

Oil & Gas

Jolanda Schenk

Alvaro de Juan Ledesma*

Karl Schmalz*

Mining

Thomas Balco*

Johan de La Rey*

Eric Mensah*

Ignatius Mvula*

* Member of the SubCie on Extractive Industries Taxation issues for Developing Countries

Guidance Note - Layout

1. Introduction
2. Table identifying transfer pricing issues that may arise in the extractives industry according to (major) consecutive stages of the extractive industry value chain
3. Value Chain of Mining and Minerals Extraction
4. Value Chain of Production of Oil and Natural Gas

Guidance Note - Layout

Table 1 lists the respective phases and common transfer pricing issues that arise during those phases:

Negotiation & Bidding;

Prospecting & Exploration;

Development;

Production (up to concentrate level);

Processing (Refining & Smelting);

Sales & Marketing;

Decommissioning

Guidance Note - Layout

Format of Table 1

A: Negotiation and Bidding	Industry	Why is it an issue?	How to deal with this?
----------------------------	----------	---------------------	------------------------

The chapter on Value Chain of Mining and Minerals Extraction lists the functions performed, assets used and risks taxpayers are exposed to in this industry, plus common transfer pricing issues with 8 practical examples originating from actual experience:

- Example 1: Export of low value minerals to an intermediary distribution company
- Example 2: Coal Group marketing activities
- Example 3: Price fluctuations and intermediary sales of Uranium
- Example 4: Market off-taker function
- Example 5: Buying and Selling of Iron
- Example 6: Intercompany f.1 (ti 95 (6:33y7.4 720d (y)TJ3.713 0d()TjEMC VBody K10

Guidance Note - Layout

The chapter on the Value Chain of Production of Oil And Natural Gas identifies:

- The upstream, midstream and downstream business;
- Industry-specific issues such as
 - The use of a Central Operating Model;
 - Financing Cost;
 - Intra-Group Guarantees;
 - The use of Cost Sharing;
 - The Challenge of Group Synergies;
 - The Industry Practice of Charging at Cost; and
 - The Issue of Ring Fencing

Guidance Note - Layout

The chapter on Value Chain of Production of Oil and natural Gas also lists 8 practical Examples originating from actual experience.

- Example 1: Oil acquired from related companies
- Example 2: Structure and operations of a company in the Petroleum Industry, which could lead to practical transfer pricing issues
- Example 3: Market volatility issues
- Example 4: Financing Costs
- Example 5: Horizontal Ring Fencing
- Example 6: Cost Sharing Agreement
- Example 7: Intercompany charges at Cost
- Example 8: Parent company guarantees

