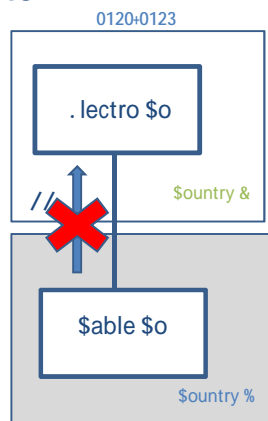


## Additional facts

Ca&le Co had been reporting a net operating loss +, - ./ for the years 2012 and 2013 and was audited;

The Country ' ta) authorities disallowed the full royalty paid by Ca&le Co

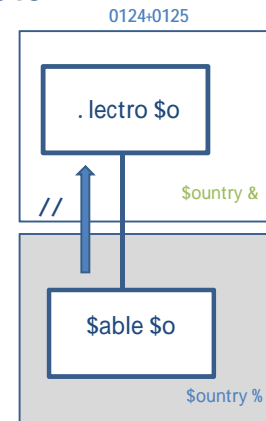
Ca&le Co had no transfer pricing documentation in place and settled with reporting cost plus 1\* 1;



## Additional facts

(or 201% and 201\*, Ca&le Co again pays +and deducts/ the full royalty;

It has made sure it has a transfer pricing report in place to support the arm's length nature of the intercompany royalty;

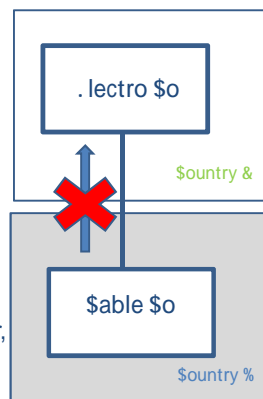


## Additional facts

Upon review, the Country ' inspector disallows the royalty charge for 201%;

In response, Ca&le Co submits the transfer pricing report supporting the arm's length nature of the intercompany royalty;

During discussions with the ta) inspector, Ca&le Co indicates they don't want ongoing disputes on this matter



## The Importance of Dispute Resolution

### Questions

What dispute resolution mechanisms do you think are available in light of the current facts and considering the previous audit +2012 and 2013/8

Please discuss why you chose the dispute resolution mechanism you

### Additional facts

Ca&le Co's transfer pricing report supports the arm's length nature of the intercompany royalty based on Electro Co making available its #"\$ "rademark to an unrelated party in Country A

10

### The Importance of Dispute Resolution

#### Questions

In light of these additional facts, would you favor a unilateral one-sided/ or a bilateral two-sided/ dispute resolution mechanism to resolve this case, and why?

What information do you think you would need to determine whether the intercompany royalty paid by Ca&le Co is at arm's length and what mechanism would be available to collect the information that you need?

What do you expect the position would be of the Country A tax authorities when they are presented with the facts of the matter and asked to give a corresponding adjustment for the Country?

10

### Additional facts

Ca&le Co suggests to resolve the royalty dispute by filing a bilateral A9A. Country A has a well functioning A9A program in place

11

### The Importance of Dispute Resolution

#### Questions

Ca&le Co has suggested that a bilateral A9A be considered to resolve the debate on the intercompany royalty. Country A has a well functioning A9A program. Country B does not have an A9A program in place. Do you think it is possible to enter into a bilateral A9A?

Do you think it would be beneficial for Country B to move forward with a bilateral A9A?

What would be needed to move forward with a bilateral A9A?

12

## Approach to A9A

Country ' agrees to negotiate a bilateral A9A. If you are the Country ' tax authority what questions do you have for the taxpayer before you adopt a negotiating position vis a vis Country A?

What additional facts do you believe Case Co. should provide?

How does the A9A process help you develop those facts?

What negotiating position do you think Country ' should adopt in its first interactions with Country A Tax Authorities?