

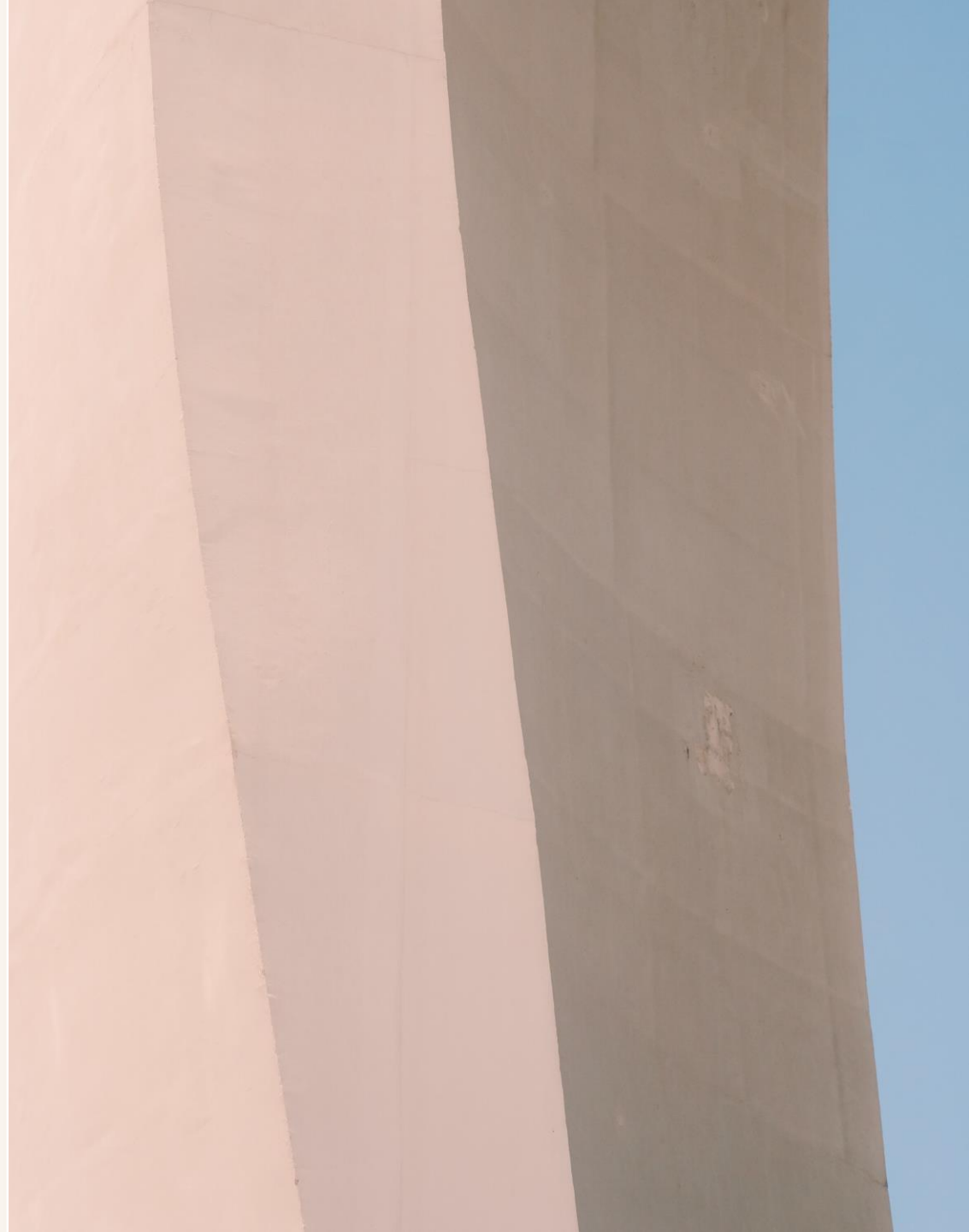
CENSIO

Transfer Pricing Trends 2023
Sweden Survey

February 2024

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About Censio Tax

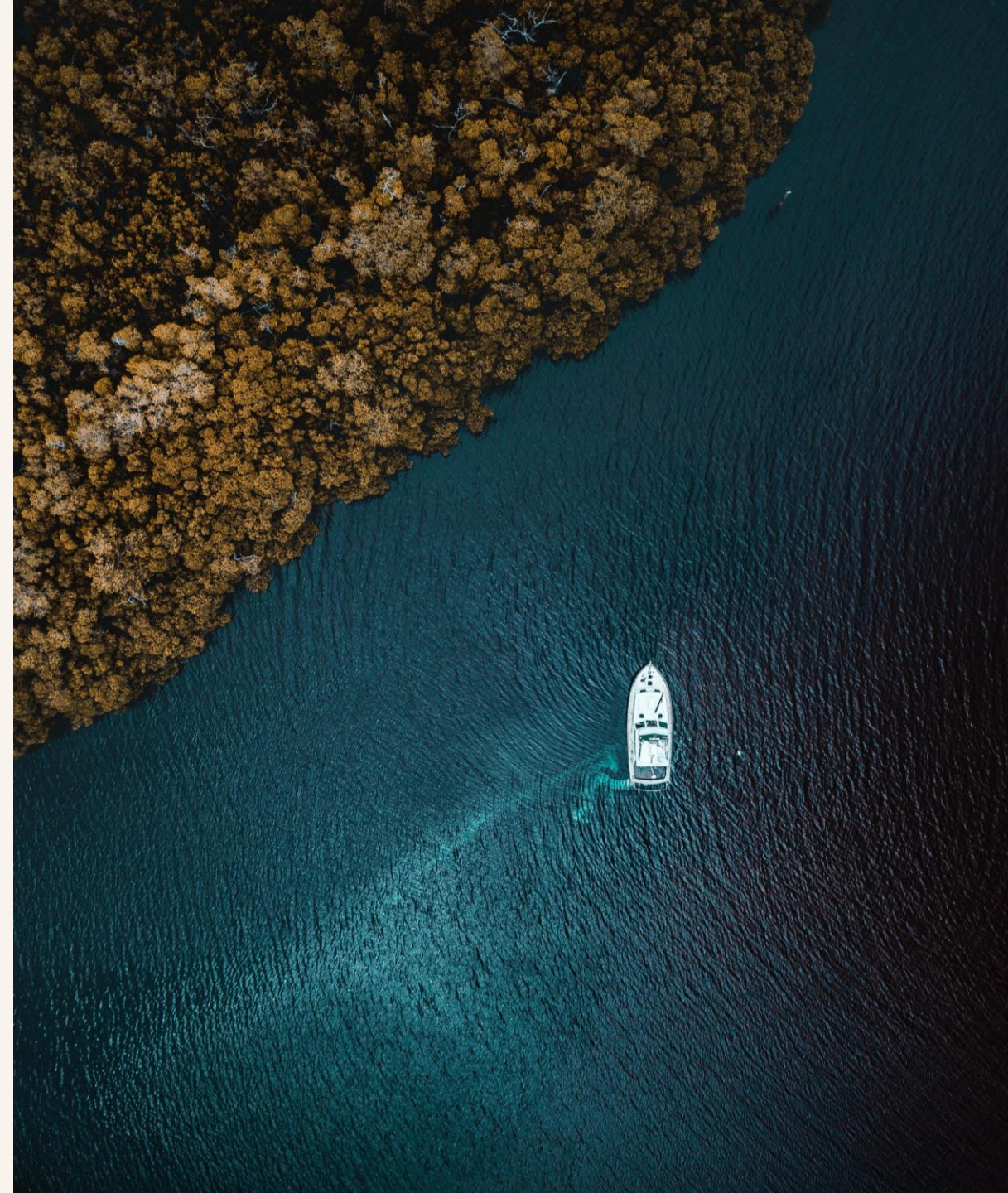
Censio Tax is an independent full-service transfer pricing consulting firm based in Stockholm and Gothenburg.

We assist companies with the increased compliance requirements with a focus on *simplifying* the administrative process and provide pragmatic advice in line with the latest regulatory developments.

We work closely with our clients to implement policies and processes to achieve a sustainable and efficient administration for transfer pricing matters.

Our clients include some of the greatest and largest companies in the Nordics. We would be happy to share references from our clients.

Censio Tax is a member of FAR and the global Quanterra transfer pricing network.



Introduction

Censio Tax asked transfer pricing (“TP”) practitioners in Swedish companies how they actually work with TP, how prioritized TP is today and about the most time-consuming tasks have been.

This report presents highlights from the survey and a few tips about how we all can simplify our TP-life!

Since this is an annual survey, we can compare 2023 with earlier years - exciting stuff.

Want to know more about the survey or just want to discuss TP?

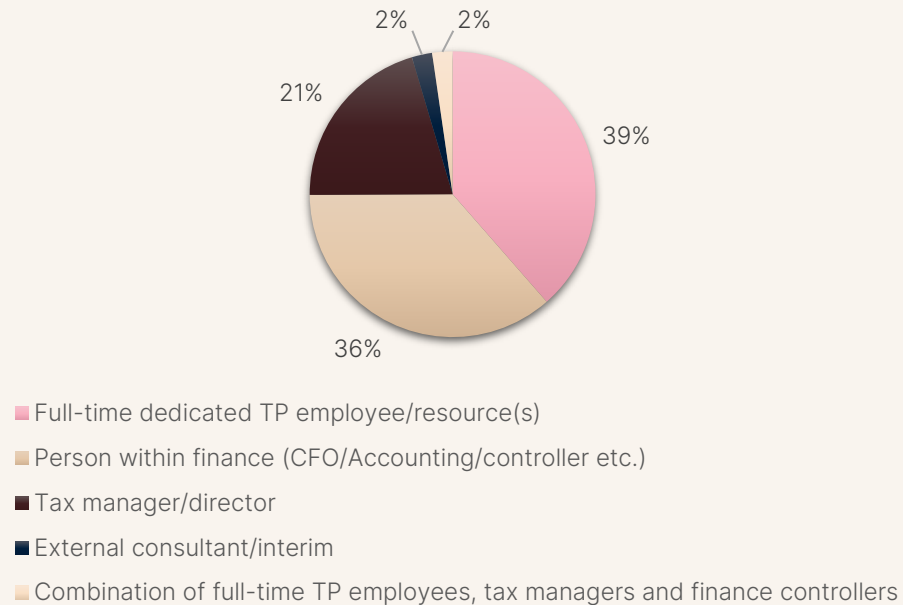
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Highlights

- ✓ TP is still a **top priority** in current tax and finance agendas - **59%** has TP within top 2 high priority (down from 73% in 2022)
- ✓ **77%** still spend most of their time on compliance such as master/local files and benchmarks
- ✓ **33%** had ongoing **TP audits** in other jurisdictions and **63%** expects **more TP related questions** from authorities or other stakeholders
- ✓ **91%** states that they update Master file, all or most important Local files every year – **keep up the good work!**
- ✓ Still, almost **89%** do not use any **software tool** for the TP documentation work - however 23% is currently looking into options

Who manages TP questions and how prioritized is TP?

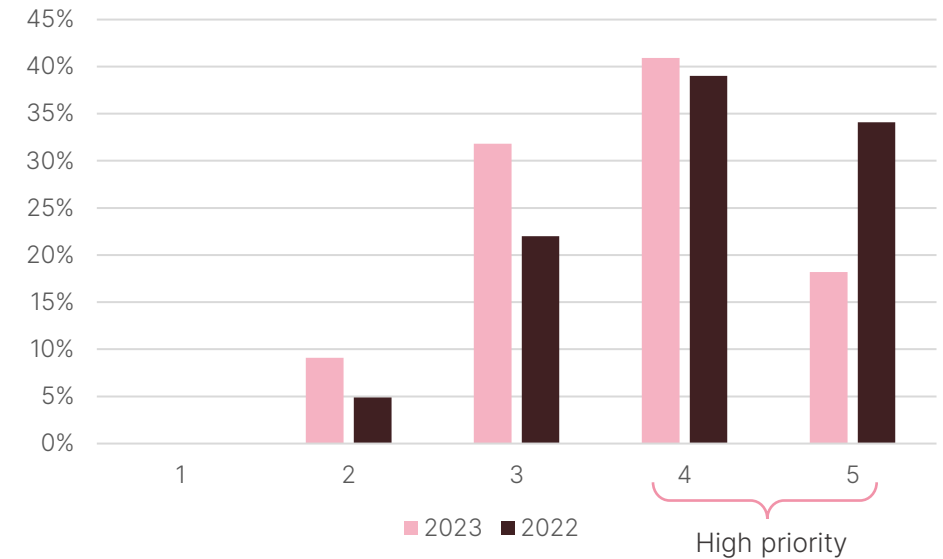
Who handles TP 2023?



Our respondents include some of the largest companies in Sweden which is reflected in the **39%** having a dedicated TP resource (41% in 2022). In most small to mid-size groups, other resources within the finance department still handle TP matters.

No significant differences between 2022 and 2023 results.

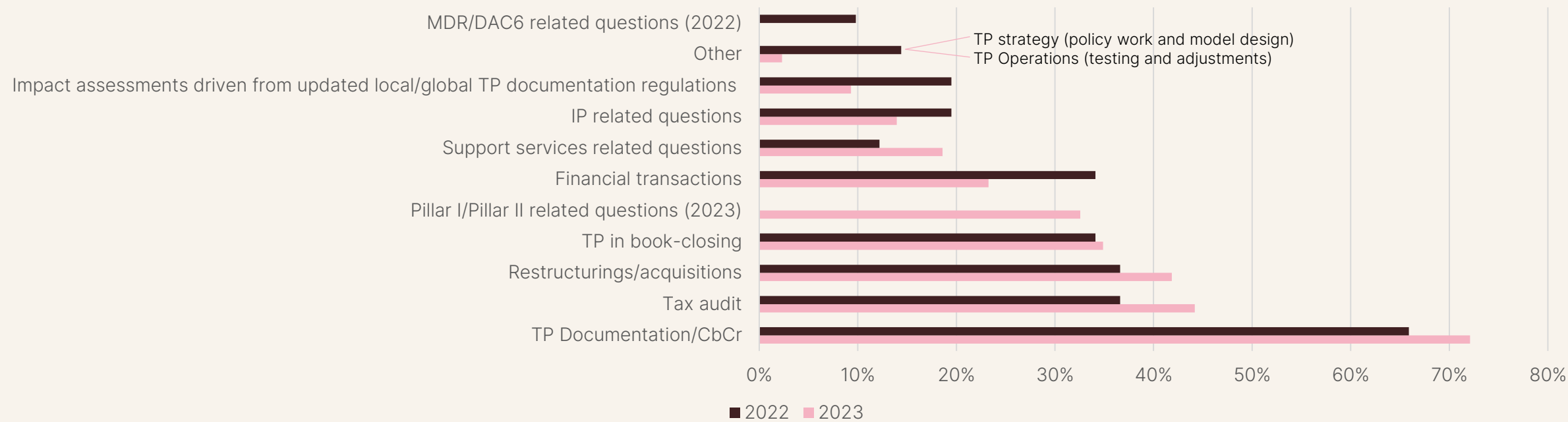
How prioritized is TP?



59% list TP as a high priority area – potentially a result of the increased compliance focus in the TP environment during recent years. TP compliance keeps its ranking as the most important/time consuming TP matters for our respondents in 2023.

In addition, TP often includes material transaction volumes and is also important from a sustainability perspective – not many companies want to appear in media headlines about tax penalties and surcharges.

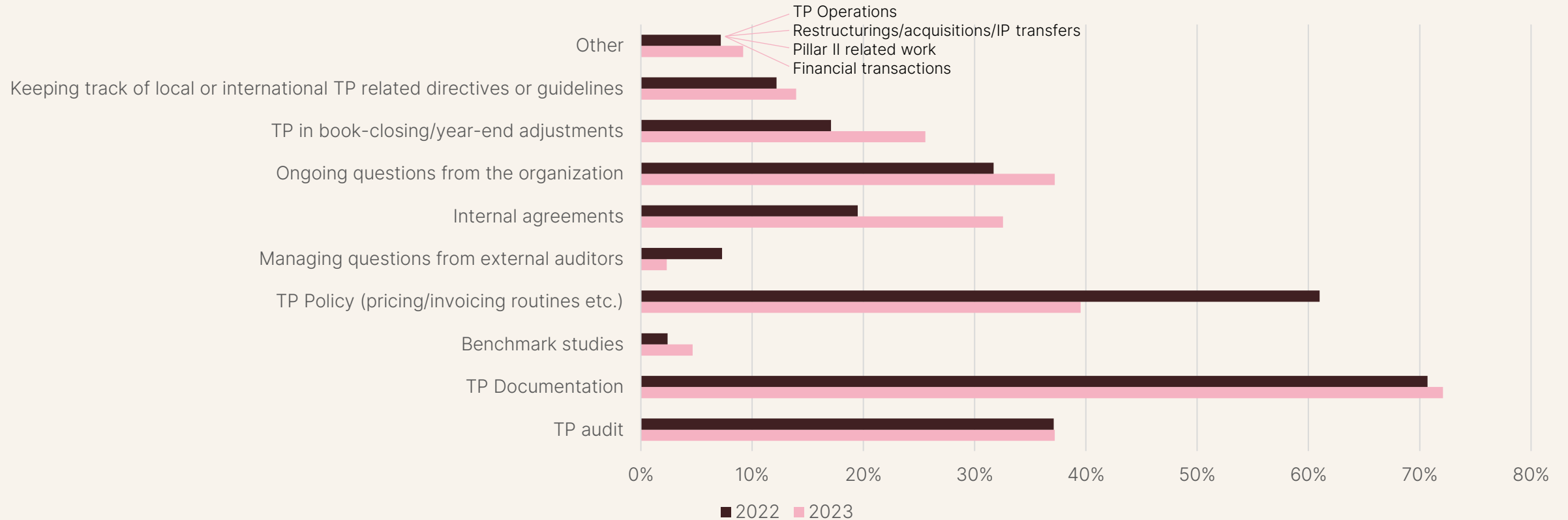
Most important TP matters 2023 vs 2022*



The compliance matters continued to dominate the TP agenda in 2023. However, companies had to put **more focus on tax audits in 2023** compared to 2022, which is also illustrated in further detail on page 8. Another topic with high priority on the TP agenda is Pillar II related matters. Based on discussions with our respondents, it is clear that Pillar II related work tends to fall under the responsibility of the TP function. It is yet to be seen if this is the most efficient way to manage Pillar II obligations for the companies. Otherwise, the most important TP matters have been fairly consistent between 2020 – 2023.

*The respondents selected up to three issues that they consider most important.

Most time-consuming TP matters*

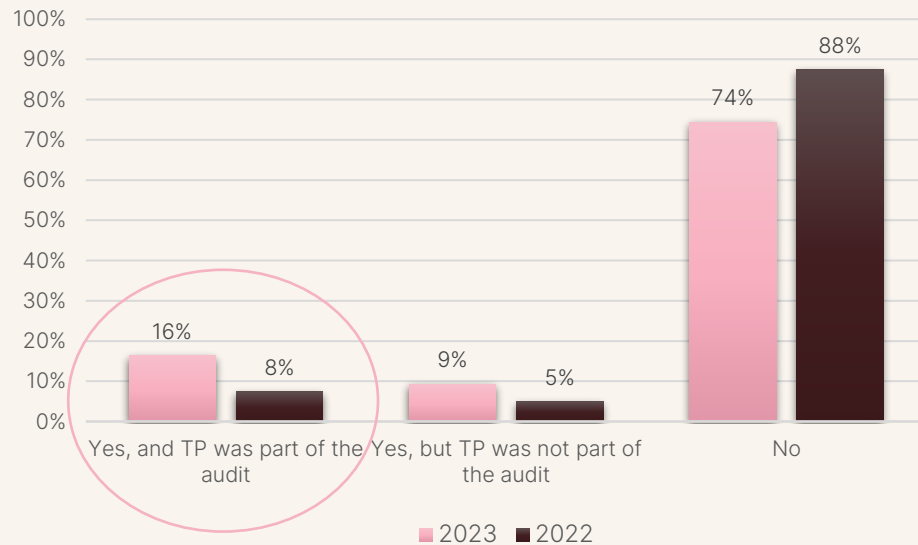


Compliance is still the most time-consuming TP work for most companies, which is in line with TP compliance being a top priority as shown on the previous page. Despite the increased focus on TP audits in 2023, the time spent is similar to 2022 – could this be a result of **improved efficiency and data management**? For example, financial information related to TP documentation is managed by the central tax function to a larger extent in 2023 than in 2022.

*The respondents selected up to three issues they considered most time-consuming.

New tax audits covering TP in Sweden and future enquires

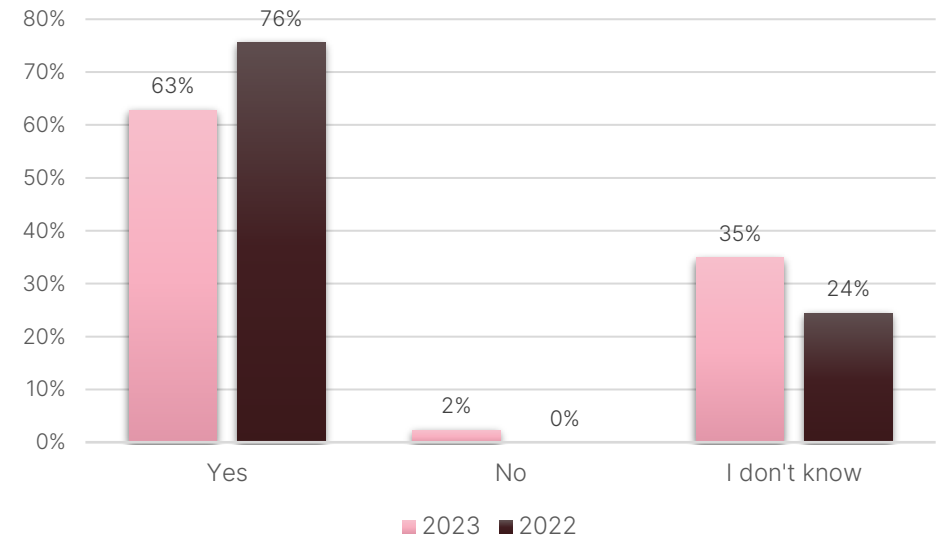
Have you been subject to a new tax audit in Sweden during the past 6 months?



Interesting! The number of new TP audits in Sweden has **more than doubled** compared to 2022. The total number of audits among our respondents have also increased, which is expected as many respondents have experienced an increase in audits after the Covid-19 pandemic. With an increased scrutiny from the tax authorities, more effort is required on **data management and audit trail**.

→ **For TP audit readiness:** make sure to have internal control of data and robust routines in your TP management processes!

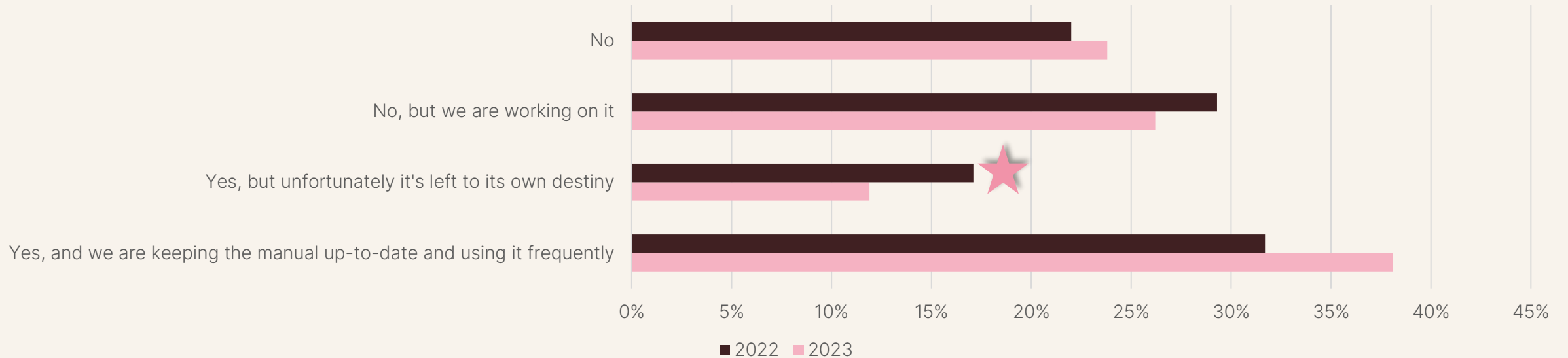
Do you expect more TP related questions from tax authorities and/or other external parties next year?



It is clear that the respondents expected more questions from the tax authorities in 2022 – maybe a result of the fact that the number of new audits in 2022 were less than in 2023.

When it comes to the interaction with the Swedish Tax Authority, as much as 73% ranks the Swedish Tax Authority's attitude at **3 or 4 on a 5-point scale** (where 1 represents a friendly attitude and 5 an aggressive attitude) in 2023.

Do you have an internal TP manual with explicit roles and responsibilities for the TP process?



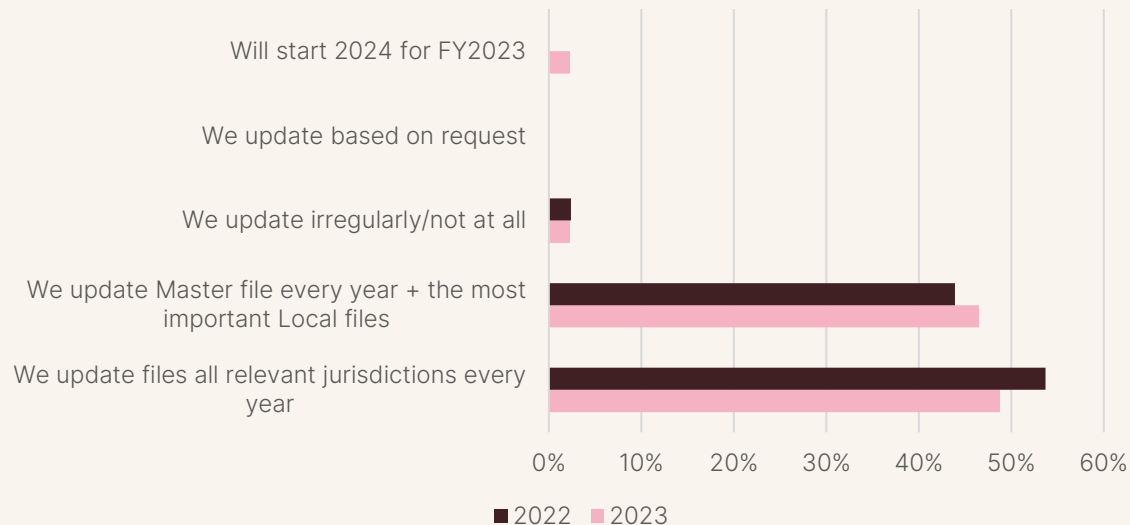
In 2023, we can see that fewer TP manuals were left to its own destiny compared to 2022 - **great!** A manual aims to simplify the day-to-day work with clear responsibility allocations, account handling, adjustment processes, invoicing routines as well as to cover the most reoccurring questions.

The more effort we can spend on implementing practical and hands-on guidance of our TP routines, the more time we save on compliance related work, which makes us more prepared in case of an audit.

A manual is the fastest way to saving time, so keep up the good work!

How do companies work with TP documentation?

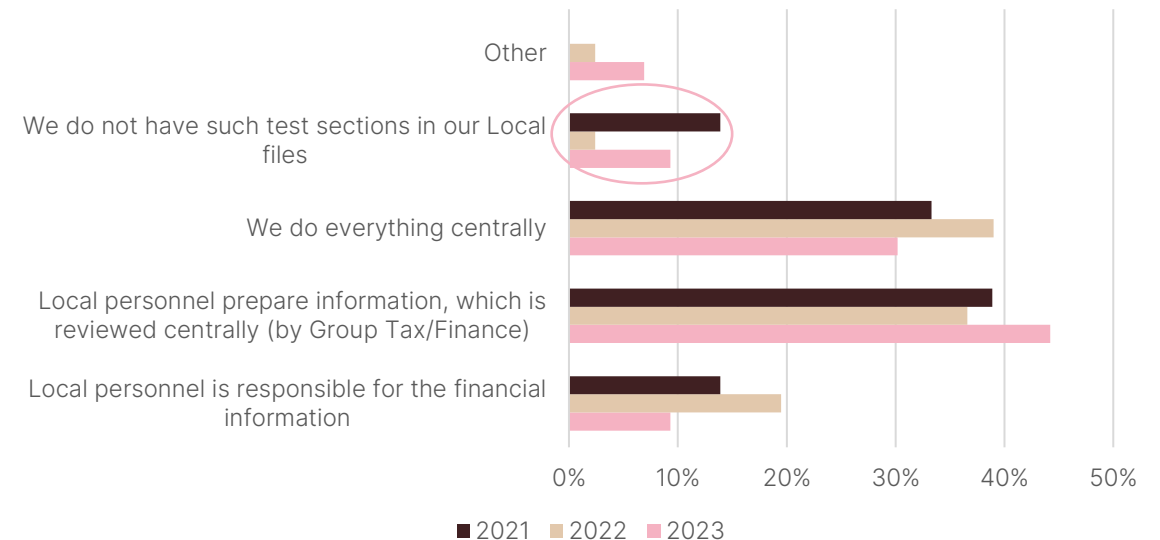
How do you update your TP-documentation?



95% either update local files for all- or the most important jurisdictions annually. None of the respondents seem to manage their TP documentation updates based on request, which indicates a less degree of ad-hoc updates leading to inconsistency and “one-time” solutions. We note that in 2020 only 30% updated all files annually compared to almost **50% in 2023!**

Best practice is to focus on the most important jurisdictions and to be prepared for questions for the less prioritized countries. Priority considerations should include transaction materiality, local regulations and local extraordinary events such as business restructurings or IP transfers.

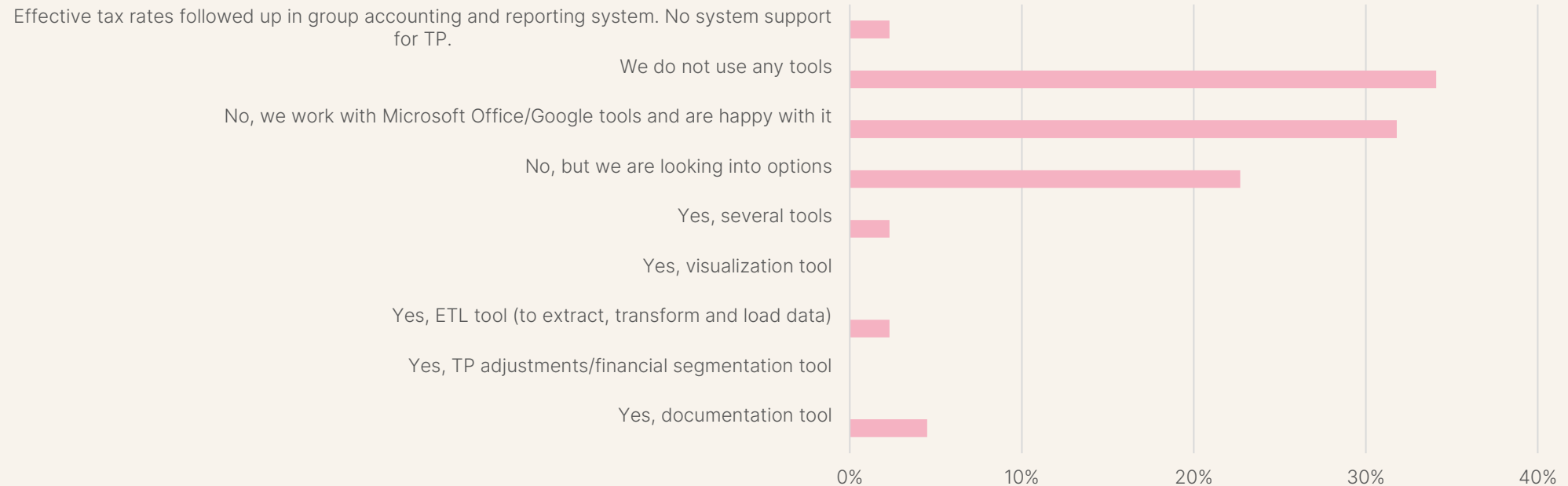
How do you present the test sections in the local files?



One of the main purposes with local files is to show that the pricing was at arm's length through test sections. **Only 9% didn't have test sections** in the local files in 2023, which is a small increase from 2022 but a **decrease** over time (looking at 2021 where 14% didn't have test sections in the local files).

We recommend to begin with the price testing, i.e. ensure that the actual pricing applied is in line with the TP policy and maintain **audit trails** of the calculations and background data. Thereafter, focus on the compliance tasks, such as documentation.

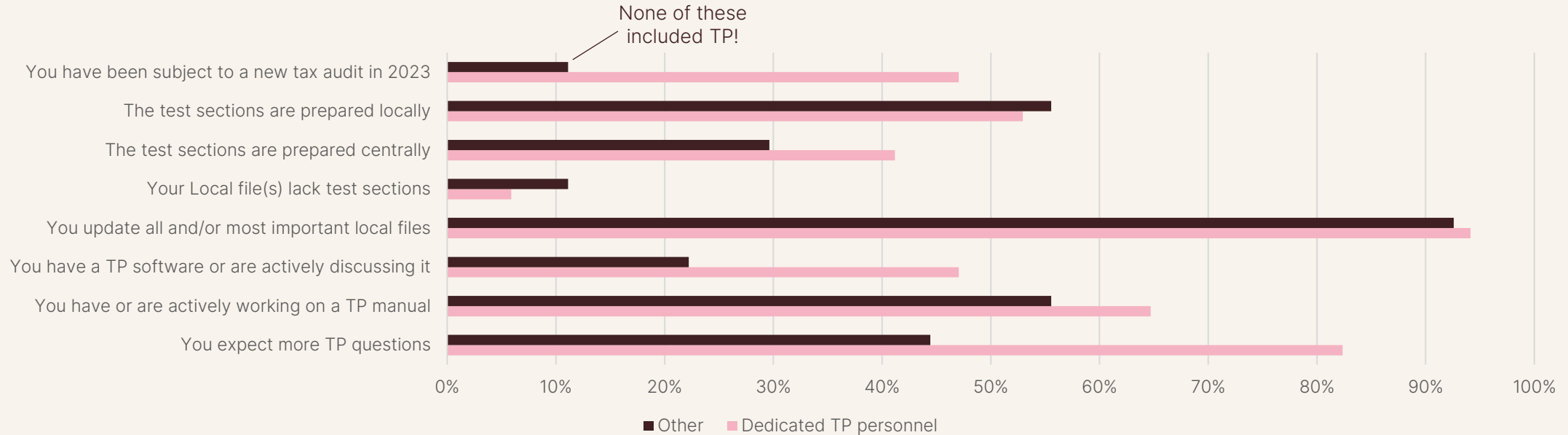
Have you implemented any TP software solution?



Only 5% of the respondents use a dedicated TP documentation software in 2023 (12% in 2022). **34% say they don't use any tool at all in 2023**, which is a significant increase compared to 2022 (20%). It is clear that TP software tools haven't seen their breakthrough among our respondents yet. Based on discussions with our respondents, they often experience the implementation and learning process as too time-consuming. Considering that many of our respondents are overall finance employees with TP being only one of many areas of responsibility, it might be difficult to motivate time and money required for implementing a dedicated TP tool.

Tips: **Don't try to solve 100% day 1.** Focus on the most time-consuming and critical matters. Digitalization doesn't need to entail long and expensive implementations. There are plenty of plug-in solutions and potential in Microsoft tools out there! We would be happy to discuss options.

What can we learn from companies with TP dedicated personnel?



So, what do the 100% dedicated TP-personnel do, think and experience differently compared to the non-TP dedicated people?

1. First of all, the dedicated TP personnel have been subject to tax audits (**where all expect one included TP**) to a significantly larger extent than our other respondents – probably since the dedicated TP personnel represent larger companies that are more interesting for audit purposes.
2. When it comes to the Local file test sections, it seems that the dedicated **TP personnel tend to prepare more of those centrally** compared to the non-TP people. Is this the most efficient way when Local files should be local entity focused and include local GAAP data?
3. **Everyone seems to keep their TP documentation updated** – great!
4. 47% of the TP personnel use or (most) actively consider TP software compared to 22% for the others.
5. 65% of TP personnel have or are working on a TP manual but the others are **not far behind with 56%**
6. **82% of the TP-personnel expect more questions** from tax authorities/external auditors compared to 44% of the others.

Background & details

- ❖ Censio Tax shared transfer pricing related questions with Swedish multinational companies during November – December 2023
- ❖ The purpose of the survey is to capture local Swedish TP trends and current best practice
- ❖ The 2022 survey was conducted during October – November 2022
- ❖ Most of the respondents have tax departments or dedicated tax and/or TP-personnel
- ❖ All responses are 100% anonymous and the answers cannot be tracked to any individuals or companies
- ❖ Contact us for more details or feedback!



Contact

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