



Base Erosion and Profit Shifting: How does the Wave of Change Affect Your Company Now?

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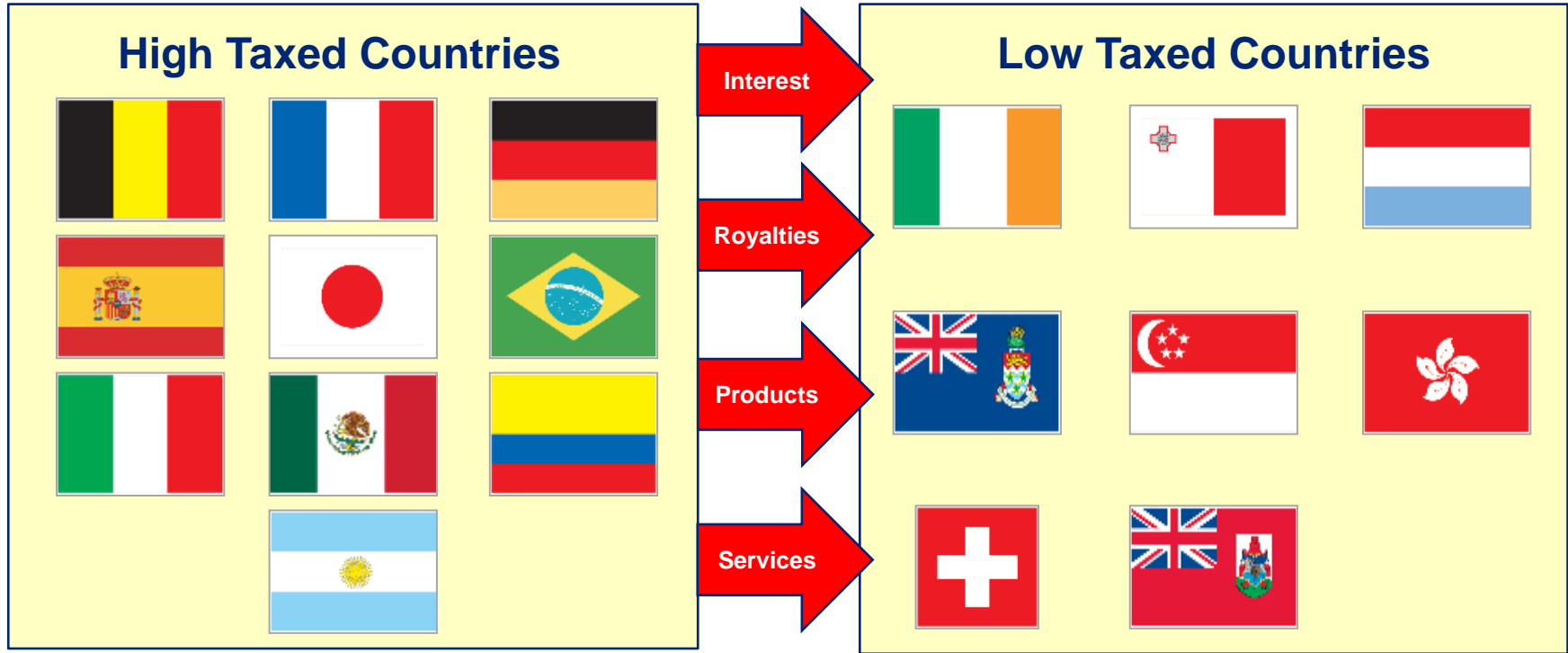
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What is the debate all about?



Are countries getting their fair share of revenue?

A matter of perspective

Corporate Tax Officer



G20 Treasury Authorities



BEPS – narrowing the focus of inquiry

Areas of Focus

Financing/Hybrid
Debt

Permanent
Establishment

Royalty Base
Erosion

Transfer Pricing
Documentation

IP/Principal
Companies

In this dynamic environment, a tax executive will need to respond by

- Identifying those BEPS initiatives that *may* challenge important tax benefits to the company in the short, medium and long term
- Measuring the impact of proposed BEPS reforms in the various countries
- Prioritizing the action items based upon the projected timing for current and projected law changes and the tax benefit derived from impacted structures
- Communicating with key stakeholders in this process
- Developing alternative planning
- Considering an accelerated time table for current planning




IDENTIFY

MEASURE

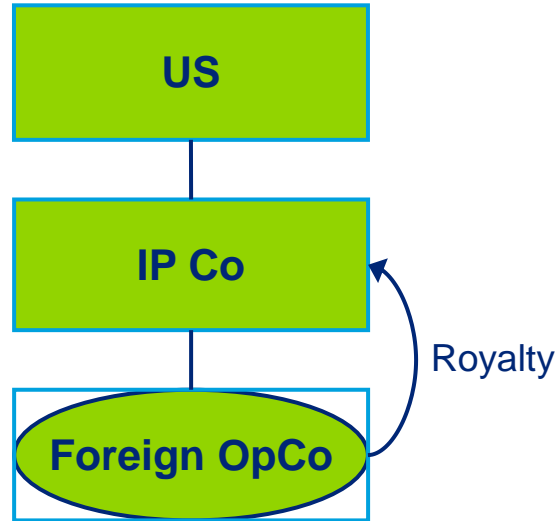
PRIORITIZE

COMMUNICATE

BEPS Dashboard **SAMPLE**

		Work stream	Potential Challenges	Timing	Amount at Risk	Strategic Alternatives
B E P S	1	Transfer Pricing / Country by Country Reporting	<ul style="list-style-type: none"> Increased volume and depth of TP documentation Greater transparency leading to targeting of apparent TP inconsistencies 	Urgent	N/A	<ul style="list-style-type: none"> Deloitte Global DoX initiative Strategic review of TP policies to either change or document apparent TP inconsistencies
	2	Permanent Establishment	<ul style="list-style-type: none"> Digital PE Commissionaire arrangements Inventory in country Substance in principal 	Mid Term	\$1,500,000	<ul style="list-style-type: none"> Implement PE blocker corporations Establish local country limited risk distributors ("LRD") for digital goods Convert commissionaires to LRDs Review operating protocols for principle companies
	3	Financing	<ul style="list-style-type: none"> Denial of deductions for payments on hybrid instruments. Denial of deductions for payments from or to hybrid entities 	Urgent	\$2,000,000	<ul style="list-style-type: none"> Replace existing hybrid debt with compliant alternatives Eliminate/repay inefficient hybrid debt
	4	Royalties	<ul style="list-style-type: none"> Denial of deductions for payments of royalties to low / non-taxed related parties 	Mid Term	\$1,000,000	<ul style="list-style-type: none"> Consider Deloitte Business Method Optimization to convert to Principal Operating Company model Implement compliant alternative royalty arrangement
	5	Principal Company / Intellectual Property	<ul style="list-style-type: none"> Increased pressure on PE and margins earned by Principal Company going forward 	Long Term	\$3,000,000	<ul style="list-style-type: none"> Review substance in IP and/or principal company Migrate from "tax haven" IP holding company jurisdictions
		 Urgent action  Action needed  Consider Long Term Planning				

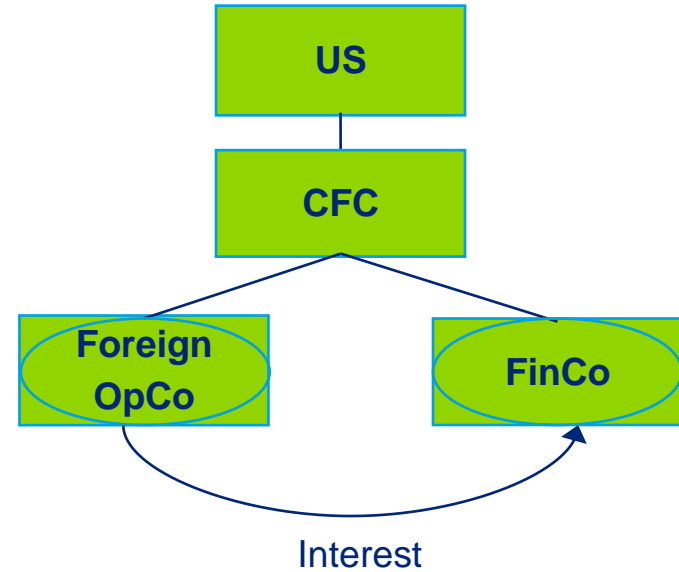
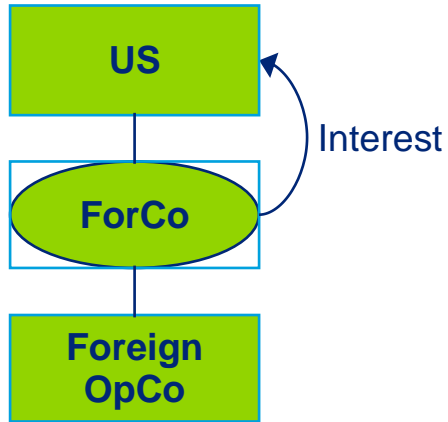
Treatment of intellectual property



BEPS developments – base erosion transactions

Country	Proposal	Effective Date
Mexico	<ul style="list-style-type: none">• Deduction for royalties disallowed unless “subject to tax” in recipient state• Double deductions by two related parties on single payment disallowed• Treaty benefit only allowed with affidavit evincing double taxation	January 1, 2014
Australia	GAAR and transfer pricing rules recently strengthened to prevent shifting of profits offshore	2013-14

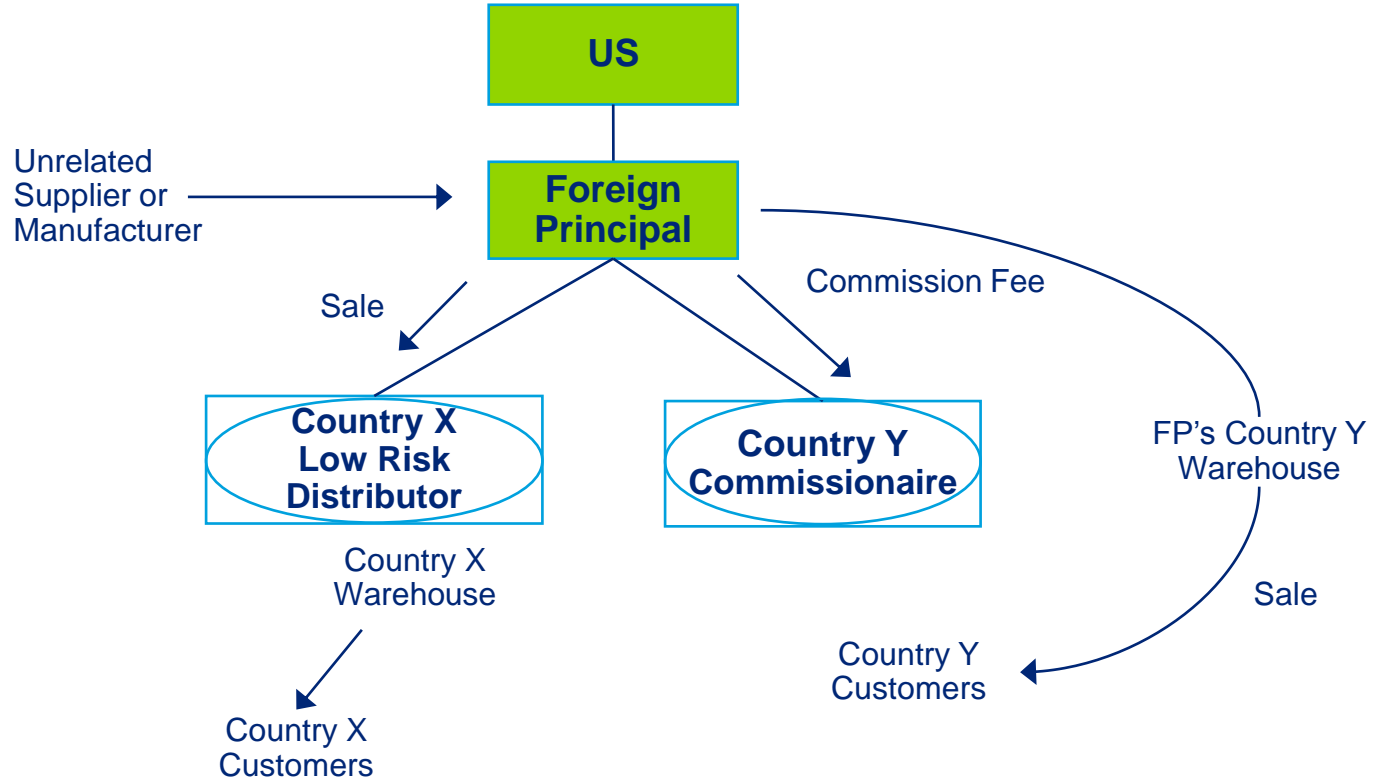
Financing structures



BEPS developments – interest deductions

Country	Proposal	Effective Date
Mexico	<ul style="list-style-type: none">• Deduction for interest disallowed unless “subject to tax” in recipient state• Double deductions by two related parties on single payment disallowed• Treaty benefit only allowed with affidavit evincing double taxation	January 1, 2014
France	Deduction disallowed for low taxed related party interest expense	FY ending on or after September 25, 2013
Germany	Dividend exemption disallowed on hybrid dividends	FY beginning January 1, 2014
Australia	Interest deductions limited by new thin cap rules	Taxable year beginning after July 1, 2014

Principal company with local sales co and inventory



BEPS developments – competent authority issues

Country	Proposal	Effective Date
China	Increased profit allocated to location advantages	Administrative development
India	Increased profit to location advantages and R&D	Administrative development
Norway	Tax decision addressing location savings	Tax decision acknowledged that location savings may be taken into account

Next steps

What, where and how

- **Transfer Pricing** – amended version of Chapter 6 being circulated by governments
- **Treaty abuse and harmful tax practices** – OECD draft to be released March 17, comments due April 11
- **Tax Challenges of the Digital Economy** - OECD draft to be released March 24, comments due April 14
- **Hybrids** – draft being circulated by governments. Draft to be released by April 4, comments due by May 4

Please Remember to
Complete Your Evaluation

Speaker bios

Jeff Bergmann is the Vice President of Tax and Treasury at NetApp, Inc. where he is responsible for global taxes, Treasury and Risk Management. Prior to NetApp, Jeff was the Senior Vice President of Tax and Treasury at VeriSign, Inc. where he ran Global Taxes, Treasury, Procurement and Internal Audit. Prior to working in industry, Jeff spent 24 years in public accounting as a federal tax partner at KPMG where he worked in their San Jose, San Francisco and Los Angeles offices.

Jeff received his undergraduate degree in accounting at Santa Clara University and his MBA in Taxation at Golden Gate University.

Dan Kostenbauder is Vice President – Tax Policy at Hewlett-Packard Company, Palo Alto, California, where he is responsible for tax legislative and regulatory matters. His career at HP has included an assignment as European Tax Manager based in Geneva, Switzerland and many years of managing the worldwide transaction tax area.

Dan has served as chair of a number of trade association tax committees, including the National Association of Manufacturers, the California Taxpayers Association, and the American Electronics Association. He has testified before the U.S. House Ways and Means Committee and Senate Finance Committee on a number of occasions.

Dan received his B.A. from Yale University (Economics) and both his J.D. and L.L.M. (in Taxation) from New York University School of Law. He has also completed the Harvard Business School Advanced Management Program.

Speaker bios

Jerry Thompson is Senior Vice President Tax and Global Business for Ingram Micro Inc. Jerry leads a geographically dispersed tax team responsible for Ingram Micro's overall global tax affairs, including U.S., federal, state, and local income, sales and use, property taxes and all international income and consumption taxes in the over 40 countries in which Ingram Micro has operations. In late 2011, Jerry assumed leadership of Ingram Micro's Global Business division, which consists of geographically dispersed experts in global trade, supply chain/logistics, and account management, whose objectives include developing global business solutions for partners serving cross-border opportunities.

Prior to joining Ingram Micro in 2008, Jerry worked for Deloitte, where he led teams providing U.S. domestic and international tax consulting services to several global high technology clients of Deloitte's Silicon Valley practice. In his role as a leader of Deloitte's Technology, Media and Telecommunications industry tax practice, Jerry spent time working in San Jose, CA and in Zurich, Switzerland, gaining significant insight into the global operations of the high technology companies he served.

Jerry is a member of the Missouri and Illinois Bar Associations, a member of TEI's Santa Clara Valley Chapter, where he is a frequent presenter at the group's Annual SJSU/TEI High Technology Tax Institute, and was named a Top 40 Financial Executive under the Age of 40 in the October 2010 Treasury and Risk magazine ranking.

Jerry holds a Bachelor's degree from Lindenwood University and a Juris Doctorate from University of Missouri, Columbia.

Tim Tuerff is the Managing Partner of the Washington National Tax Office of Deloitte Tax, LLP. In this role Tim leads the Washington National Tax practice in providing tax analysis to clients engaged in multinational corporate and investment transactions. The professionals of this office analyze issues and transactions with respect to specific client matters as well as review current tax developments and their impact on Deloitte clients. Tim specializes in international tax issues and serves U.S.-based multinational corporate clients engaged in cross-border transactions. His practice involves tax analysis related to structuring international business operations, mergers and acquisitions, financing and utilization of foreign tax credits. He testified before the U.S. Congress Ways and Means Subcommittee on Select Revenue Measures concerning Chairman Camp's 2011 International Tax Reform Discussion Draft addressing a territorial system of taxation. Tim also serves as a member of the Board of Directors of Deloitte LLP.

Tim received a B.S. in Business and a J.D. from Indiana University. He is a member of the District of Columbia Bar Association and a CPA, also registered in the District of Columbia

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John Wells is the leader of Deloitte Tax LLP's U.S. transfer pricing practice for the Central region. He is experienced in managing large projects involving quantitative analysis in the areas of transfer pricing and intangible valuation. Although his primary focus has been on the energy sector, John has provided services to clients across the industry spectrum, including Fortune 500 companies in chemicals, engineering, manufacturing, retail, software, and telecom. John has been voted to the list of the World's Leading Transfer Pricing Advisors since 2008.

Prior to joining Deloitte, John was the lead economist for the Global Energy and National Resources sector of another Big 4 firm, and an economic advisor to the Kuwait Government. John also spent four years on the faculty of Auburn University, where he taught Ph.D.-level courses in time-series analysis, macroeconomics and international finance. He has numerous publications and refereed for the American Economic Review, Economic Inquiry and other journals. John was awarded a National Science Foundation grant for his work on the effects of political events on financial markets. John earned a Bachelor of Science in International Trade Economics from Texas Tech University and a Ph.D. in Economics from Texas A&M University.

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