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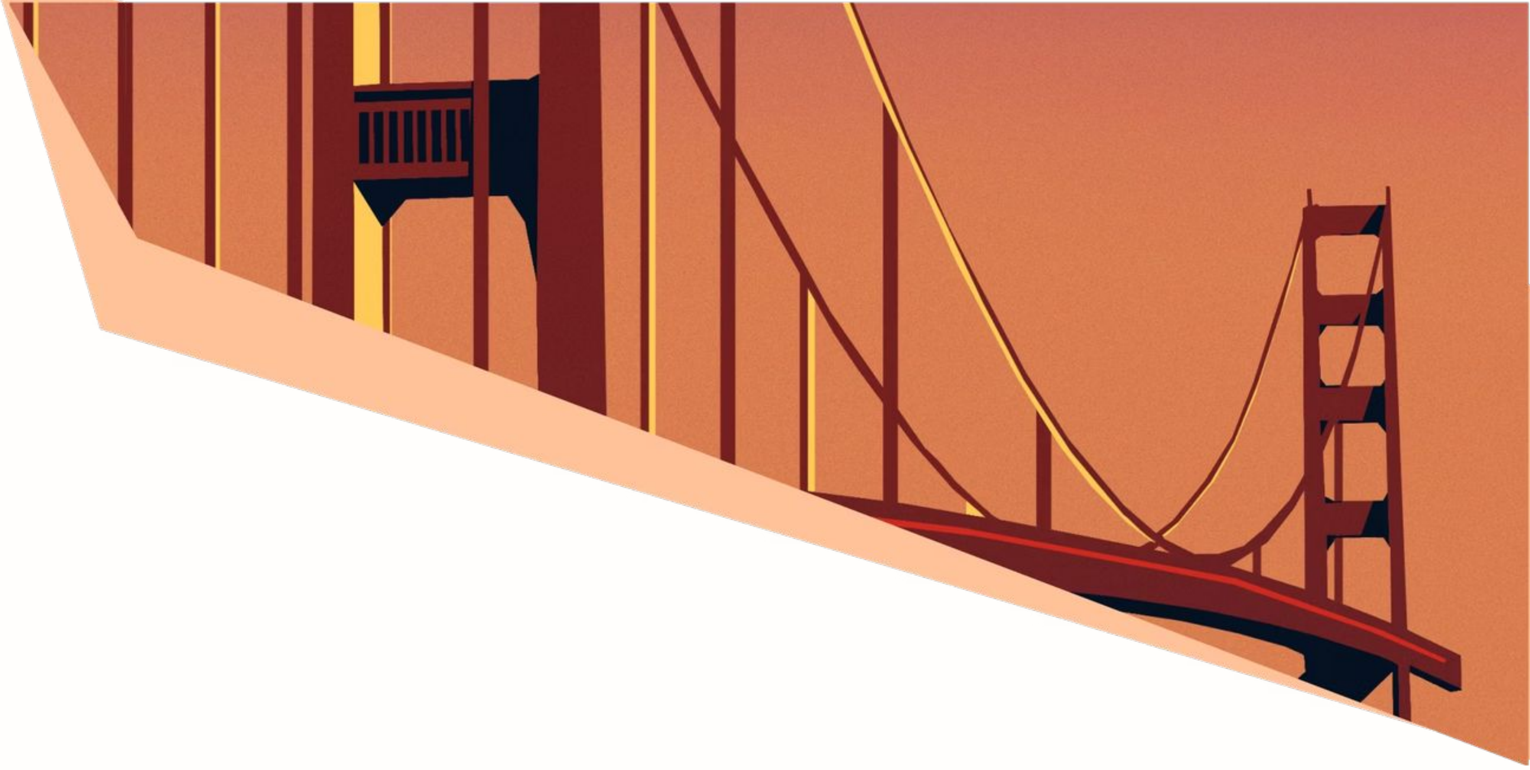
Commenda Masterclass

Transfer Pricing for Global Businesses

See a demo or Connect with us

2026



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Who are we?

Conor Kirkland

Head of Sales

Shrey S

GM of Transfer Pricing

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Agenda

01 Transfer Pricing (TP) basics and why it matters

02 TP documentation

03 TP in practice: services & distribution

04 Country examples

05 TP & the risks of getting it wrong

06 Best practices & solution

07 Q&A

Poll

How familiar are you with transfer pricing?

01 Beginner — I’m new to transfer pricing

02 Intermediate — I know the basics but need more clarity

03 Advanced — I handle TP documentation already

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Basics and why it matters?

01 What is transfer pricing? — Accounting method to set prices for transactions between related entities.

02 Arm’s length principle — Related companies should charge each other the same prices as unrelated ones.

03 Why does it matter? — Determines whether you can legally move money and if tax authorities accept payments.

Transfer pricing documentation

REPORTING

01 Country-by-Country Report (CbCR)

Large groups only — turnover over €750M

02 Master File

Group-wide structure, business & TP policy

FOUNDATION

03 Local File

Your controlled transactions + comparables, country by country

04 Intercompany Agreement + Benchmarking

Do this before your first transaction

ICA — what it is & what it sets out

01

A binding contract between related entities

02

Defines the scope of goods or services provided

03

Sets the price — method and rate (e.g. cost +15%)

04

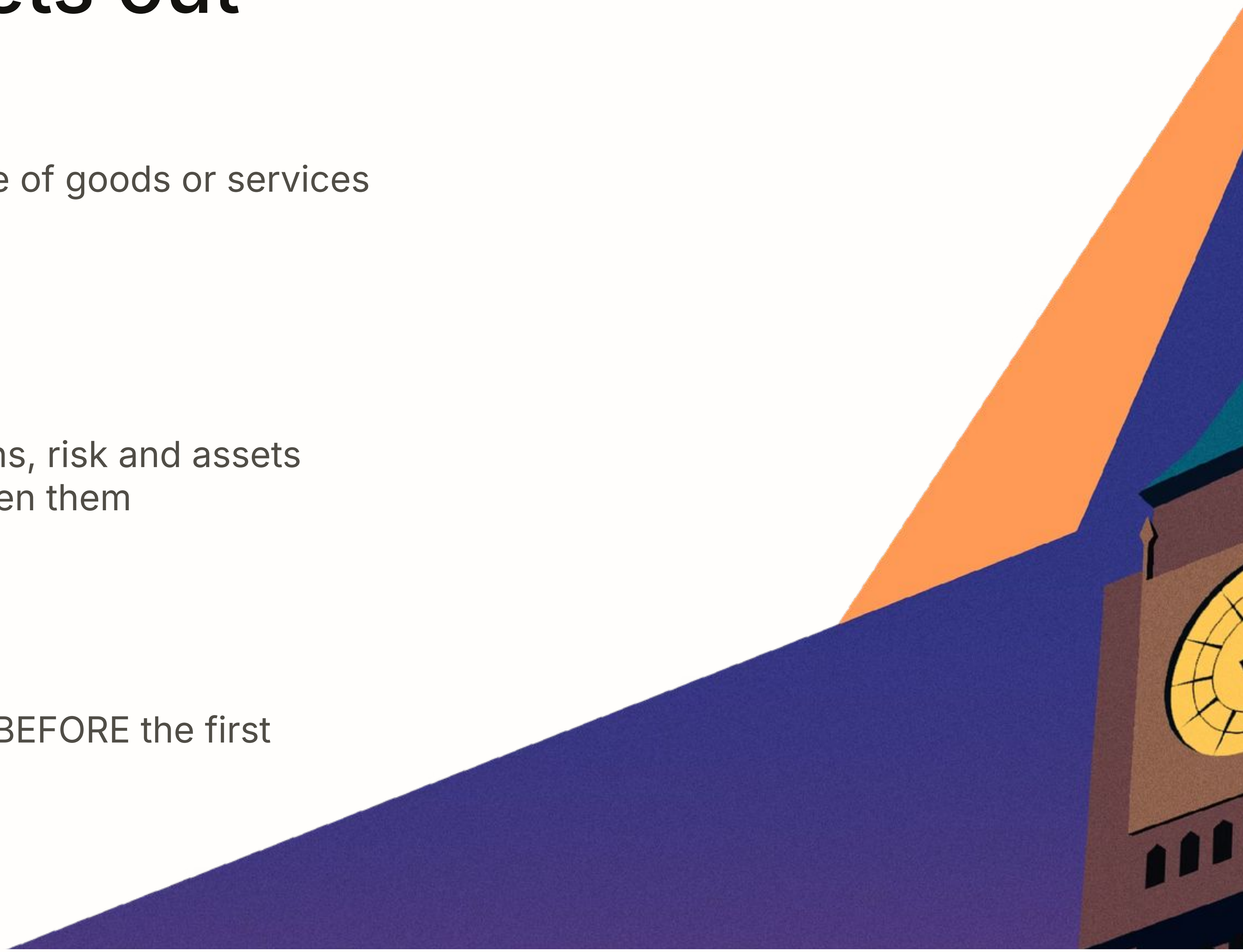
Allocates functions, risk and assets ownership between them

05

Sets rights, responsibilities and payment terms

06

Must be in place BEFORE the first transaction



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ICA — why it matters

01 Transfer Pricing (TP) Perspective

- Backs up your TP policy if a tax authority asks questions
- Matches the functional analysis — who does what and who bears risk
- Documents who owns the key assets and IP
- Sets out how risk is shared between the entities

02 Permanent Establishment (PE) Risk

- A PE is when your activity abroad is treated as a taxable presence there
- A well-drafted ICA lowers the risk of accidentally creating one
- Documents who has authority to sign contracts — a key PE trigger
- Keeps roles consistent with how the business actually operates

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Poll

True or False: Transfer pricing documentation is only required if a tax authority audits you?

01 TRUE

02 FALSE

Transfer pricing methods

Multiple OECD methods exist — but two cover 95% of all services and distribution work:

Method	How it works & when to use it
Cost Plus: for service arrangements	Provider is paid its costs plus a markup (e.g. cost + 15%). *We benchmark the markup against independent providers.*
TNMM: for distribution arrangements	Distributor earns a set operating margin on sales. We benchmark the margin.

Service Agreements: Cost Plus

Commenda USA

Parent Company
Corporate Tax Rate: 21%

Software Services ←

→ Payment ($)

Commenda India

Subsidiary Company
Corporate Tax Rate: 25%

100% Ownership

US Parent contracts with the customers

COST PLUS CALCULATION

India Pvt Cost	$100,000
Markup (20%)	+ $20,000
Arm's Length Price	$120,000

Distribution Agreements: TNMM

Commenda USA

Distributor
Corporate Tax Rate: 21%

Goods

Payment ($)

Commenda India

Principal
Corporate Tax Rate: 25%

100% Ownership

US distributor sells to local customers

TNMM CALCULATION

Transaction Net Margin Method

US Resale Price	$120,000
Distributor Margin (3%)	– $3,600
Transfer Price to India	$116,400

What dictates this markup?

We perform a **F.A.R. analysis** in each jurisdiction to evaluate the **"substance"** of each entity. This evaluation primarily dictates the flow and retention of money between your global entities.

Functions

What functions each party performs

- Manufacturing
- Marketing & Sales
- Research & Development (R&D)

Assets

What assets they use

- Physical Machinery & Equipment
- Intellectual Property (IP)
- Brand Recognition & Trademarks

Risks

What risks they bear

- Market & Demand Risk
- Inventory Obsolescence Risk
- Credit & Collection Risk

Key Principle: Risk-Reward Alignment

A **low-risk distributor** (with limited marketing functions, few valuable assets, and routine risks) should consequently earn a **routine margin**.

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Poll

What's the hardest part of Transfer Pricing for you right now?

1 Setting the right price between our entities (e.g., US to India)

2 Drafting intercompany agreements

3 Creating required documents (Local File, Master File)

4 Staying compliant with rules in each country

5 We haven't started yet

Country examples

Compliance varies by country. Startups must understand and meet local filing and documentation rules.

UK / EU

- Local File + Master File for large groups
- Produce within 30–60 days of request

United States

- Form 5471 for U.S. persons with foreign subsidiaries
- TP documentation must exist by federal return filing

India

- Form 3CEB required if transactions exceed INR 1 Cr
- Filed by 31 October; Local File for larger thresholds

Insider Insight

Even if not required, startups should maintain intercompany agreements and policy documents to show compliance and prepare for audits.

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Transfer pricing risks

Most businesses don't think about transfer pricing. Here are some key risks & penalties to consider:

1. Tax adjustments & penalties — Authorities can re-price your transactions — you owe back-tax, interest and penalties.

2. Audits & scrutiny — Missing documentation triggers time-consuming, expensive scrutiny.

3. Investor red flags — Weak TP governance stalls diligence and can delay or derail funding or an exit.

4. Costly retroactive cleanup — Fixing it after the fact costs far more than doing it right the first time.

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Best Practices & Pitfalls

1. Common Pitfalls

- **Delayed compliance**
  Year-end scramble and high audit risk
- **Missing documentation**
  Penalties and funding delays
- **Misaligned pricing**
  Large adjustments and tax exposure

Real-World Example

A U.S. company didn't benchmark payments to its offshore Indian entity. Faced a $150K adjustment and had just 2 weeks to compile docs.

2. Stay Compliant

- **Start early**
  Set up Intercompany Agreements at incorporation
- **Benchmark annually**
  Use reliable comparables to defend your transfer pricing
- **Automate & integrate**
  Link documentation flow to your ERP or accounting system

How Commenda Helps

A seed-stage SaaS startup (US, India, UAE) used Commenda to set TP policy, generate ICA + Local File, and finish benchmarking in just a week.

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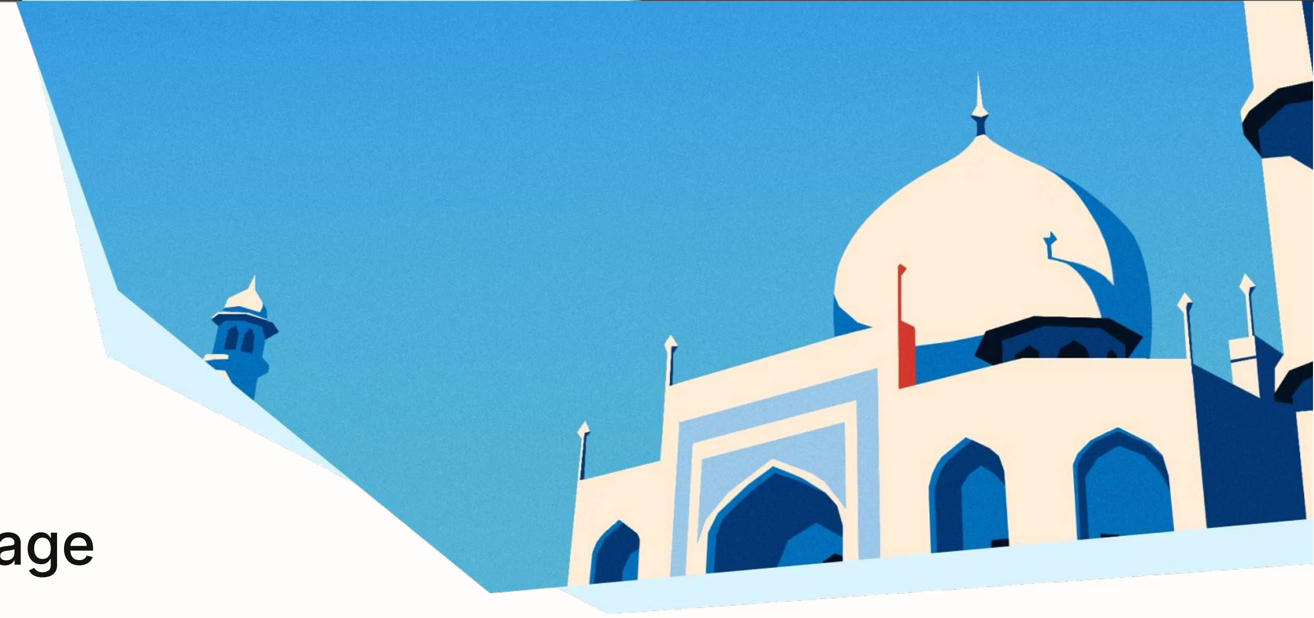
About Commenda



Commenda is the all-in-one global compliance platform — helping businesses manage entities, navigate taxes, and stay compliant anywhere on Earth.

Incorporation
Incorporate in over 70 countries, utilise resident director services and bank account opening

Entity Management
Manage entities and stay compliant in the anywhere on Earth

Transfer Pricing
Streamlined documentation and expert advisory

Indirect Tax
VAT, GST and sales tax, handled globally

Corporate Tax & Accounting
Corporate tax filings and compliance

Other Services
On demand legal, tax, and compliance experts

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Our Solution

Get compliant with automated documentation and expert guidance, built for cross-border companies of all sizes.

Automated Documentation

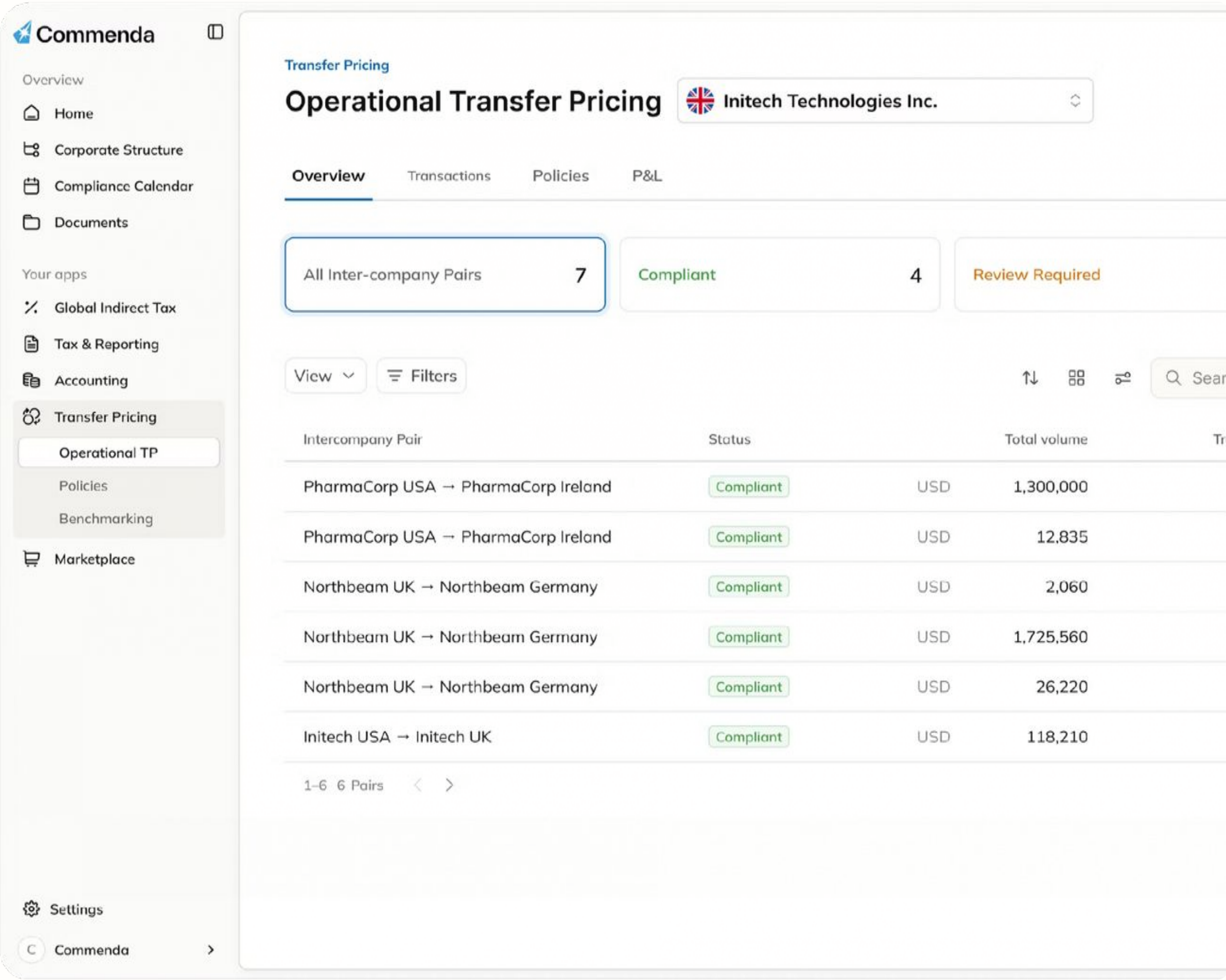
Generate localized agreements and local files seamlessly.

Expert Guidance

Access on-demand tax, legal, and compliance specialists.

Global Scalability

Manage multiple entities and stay compliant anywhere on Earth.



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Key Takeaways

01 Strategic Priority — Transfer Pricing is a must-have, not a nice-to-have

02 Proactive Timing — Start documentation early and revisit annually

03 Cost & Risk Optimization — Use automation to cut costs and reduce risk

04 Trust & Credibility — A strong TP policy builds trust with investors and regulators

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Thank you for listening

Any questions?

Book a session

Scan the QR code to book a call with one of our team.

Direct Contact

shrey@commenda.io & conor@commenda.io