

# **Tax Policy Challenges in the 21st Century: Smart Tax Policies. Trying to change the world progressively, as the global phenomenon "Pokémon Go".**

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## **Abstract:**

The article discusses fundamental aspects of taxes and training role of the Government, the Prime Minister in the 21<sup>st</sup> century. Firstly, the text revises some of the main changes currently taking place in the new century. Secondly, the study points out some aspects to consider in the development of Tax process, and Smart Tax Policies.

**Keywords:** Country by country reporting; Transfer pricing; automatic information exchange; corporate social responsibility; tax authorities; NGOs; taxpayers, taxes, technology, development, citizens, planning, Pokémon.

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- 2.- Understanding the Rules**
- 3.- Bolstering desired relationships Transfer Pricing compliance planning: How to maintain TP compliance documentation.**
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## **1. Listening for Signals**

In the 21st Century, Multinational Enterprises, management control present the more important item in the agenda of Boardroom. The CEO initiated his own plans, directly supervised by CCO. We haven't doubt that the goals of the firm are identically the goals of the investors and the proprietor. Today in an era of Big Data, the recorded information needed by the top executive to run the business is maximal.

Corporate tax transparency, take note that, Taxation is at the core of countries sovereignty, and the interaction of different national tax rules remains a source of discrepancies and frictions. This may lead to harmful tax competition. Some enterprises rely on the complexity of tax rules and the lack of cooperation between States to shift profits in order to minimise their taxes. Large multinational companies may engage in aggressive tax planning due to their presence in several jurisdictions, which SMEs and natural persons typically do not have<sup>1</sup>. This can lead to distortions of the market and the level playing field between taxpayers.<sup>2</sup>

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<sup>1</sup> Vid. <https://panamapapers.icij.org/>

<sup>2</sup> Vid. [http://ec.europa.eu/finance/consultations/2015/further-corporate-tax-transparency/docs/consultation-document\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/further-corporate-tax-transparency/docs/consultation-document_en.pdf)

The Data analyze and control has become imperative for effective and successful management of Multinational Enterprise.

Planning What and Why happen, Where, Who, When, and How<sup>3</sup>, is necessary to understand the markets.

What

- What, specifically,...?
- What next?
- What else?

Why

- Why does that happen?
- Why not?

Where

- Where else?
- Where are you?
- Where, exactly...?

When

- When, exactly, will you...?
- When will it start/end?
- When will I know?

Who

- Who will do this?
- Who else will do this?
- Who pays?
- Who benefits?

How

- How many?
- How much?
- How does it work?

## **2. Understanding the Rules**

The studies undertaken to improve the knowledge of Big Data emanate from diverse fields. Tax lawyers, auditors, have sustained an interest in the motivation control utilizing documentation and Country by Country Report. Documentation early become a central means of evaluating transfer pricing transactions, for the whole information about transactions and Company, that have enough interest for creditors, stockholders, employers, investors, and tax administrations. These same documentation drive by BEPS

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<sup>3</sup> Theory 5W+1H

- Base Erosion and Profit Shifting<sup>4</sup>, The BEPS<sup>5</sup> system has shown as good instrument to improve credit for the Company, all stakeholders can come together with employers, investors, tax administrations, in a sphere of Just Culture, that will ensure a certain, progress and sustainable enforcement for the benefit of all, not just a few.

These data information contains price theory, the behaviour in organization setting, point of view by the Boardroom, CEO, CFO, aspects to know about the decisions taken by the power of the Company.

The Chief Data Officer, CDO, developing a data management initiative, that spans big data, analytics, and push away from siloed data environments, supporting Data to the Tax lawyers and accountants about each transactions and transactions are relevant factors for the Company decisions. Today the future are in the talent that inspire and incite to innovation and action using data and analytics, studying multitude of companies and industries, enable to analyse customer, client and employee experiences, that ensure continuation of a consistent and robust record of success at the moment to improve new decisions and justify this, by the regulatory compliance.

Notions of documentation in transfer pricing<sup>6</sup> transactions stemming from the guiding influence of prices as determined by free competition are not well established in tax law literature. As would be expected, economist have also attempted to adapt these Law and Economics theories to resource allocation problems within complex business firms, especially decentralized firms, Multinational Enterprises. In Multinational Enterprises the *Arm's Length Principle* is commonly employed to develop periodic reports for subdivisions of the corporation that may be described as pseudo income statements; that's, the reports are similar in nature and purpose to the income statements prepared for independent firms. The documentation compliance show how inter-company transactions are carried out on an arm's length basis. The CDO identifies the

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<sup>4</sup> OECD, Domestic tax base erosion and profit shifting (BEPS) due to Multinational Enterprises exploiting gaps and mismatches between different countries' tax systems affects all countries. Developing countries' reliance on corporate income tax means they suffer from BEPS disproportionately. The OECD/G20 BEPS Project has delivered 15 Actions to tackle tax avoidance, to improve the coherence of international tax rules and to ensure a more transparent tax environment. Business operates internationally, so governments must act together to restore trust in domestic and international tax systems and ensure fair competition. Working together, all countries now have the chance to tackle BEPS, working collectively on an equal footing and in a co-ordinated manner to level the playing field. The mechanism to achieve this is an inclusive framework for the implementation of the BEPS package. G20 Finance Ministers and G20 Leaders have strongly urged the timely implementation of the comprehensive BEPS package. All countries and jurisdictions, whether developing or developed, are invited to participate in a new inclusive BEPS implementation documentation files and formulary system. *Vid.* <http://www.oecd.org/ctp/beps.htm>

<sup>5</sup> *Vid.* SCHNEIDER, F., "Action plan aims to curb global tax avoidance", in *Business Day – Business Law & Tax Review*, 13 October 2014, p. 5; BECKER, C., "Transfer pricing regimes on the rise in Africa", in *Business Day – Business Law & Tax Review*, 13 October 2014, p. 6. <http://www.pressreader.com/south-africa/business-law-and-tax-review/20141013/281517929359972/TextView>

<sup>6</sup> BONINI, C.P., JAEDICKE, R.K., WAGNER, H.M., Management controls: New Directions in Basic Research, Ed. McGrawHill, 1964, USA., p. 2. Transfer prices are employed in non-market transactions to secure the behavior that may be realized with market determined prices.

documentation that would be the most helpful in showing that a taxpayer's controlled transactions comply with the arm's length principle. Transfer pricing documentation should help the taxpaying Company to resolve its transfer pricing issues and facilitate investigations performed by tax authorities.

The documentation compliance is mainly based on Chapter V of the OECD Guidelines and the working papers of the EU Joint Transfer Pricing Forum, and resulted in a Code of Conduct on transfer-pricing documentation for associated enterprises in the European Union, and Action 13: Country-by-Country Reporting Implementation Package<sup>7</sup>. Topics addressed include:

- The purpose of transfer-pricing documentation.
- The burden of proof regarding the arm's length nature of inter-company transactions.
- The content of good and effective documentation.
- The approach followed by the OECD/G20 rules on transfer pricing documentation.

With regard to Action 13, OECD documentation, we will discuss differences between documentation in the form so called masterfile and country specific file documentation, including scope and content of both kinds of documentation. Finally, we will enter into de Country by Country Reporting, including its objectives and documentation compliance.

Transfer prices on managerial control, within Multinational Enterprises were originally designed for strategic management purposes, used to evaluate business targets, strategic policies and profit developments.

Today, all the countries have introduced legislation on transfer-pricing documentation compliance, and require substantiation, in the files and formularies of transfer pricing documentation. Compliance with and in order to the transfer prices charged comply with the arm's length principle.

The management objective has been pressured by non-governmental Organizations (NGO)<sup>8</sup>, and has gone update at one of the major tax conferences of 2012, Tax and Transparency Forum the 2th May at Grand Connaught in London, with: Pascal Saint-

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<sup>7</sup> OECD/G20 BASE EROSION AND PROFIT SHIFTING PROJECT, Action 13: Country-by-Country Reporting Implementation Package *Vid.* <https://www.oecd.org/ctp/transfer-pricing/beps-action-13-country-by-country-reporting-implementation-package.pdf>

<sup>8</sup> *Vid.* Action Aid, <http://www.actionaid.org/>; Tackle tax havens, <http://www.tackletaxhavens.com>; Save the Children, <http://www.savethechildren.org/>; Christian Aid, <http://www.christianaid.org.uk/>. Christian Aid launched the Tax campaign over calling on four FTSE listed companies, Vodafone, Unilever, TUI Travel and Intercontinental Hotel Group to back it, for greater financial transparency and so help end tax dodging. From the start Christian Aid should emphasize that the NGO are not accusing them of tax dodging, but they are saying that they can help end it. They were asking them to back a new international accounting standard on country-by-country reporting as a means of preventing tax dodging. On top of this we want them to ask their auditors to back it too and the International Accounting Standards Board to introduce it.

Amans, Head of Tax Policy and Administration, OECD; Clare Short, Chair, Extractive Industries Transparency Initiative; Chris Lenon, Group Strategic Adviser, Tax Policy, Rio Tinto; Stephen Blythe, Tax Director, BP; Paul Morton, Head of Group Tax, Reed Elsevier; Richard Murphy, Director, Tax Research; David McNair, Principal Economic Justice Adviser, Christian Aid; Martin Hearson, Policy Adviser, ActionAid; John Christensen, Director, Tax Justice Network; Joseph Andrus, Head of Transfer Pricing Unit, OECD.

As they say of the conference:

*“The financial crisis has changed everything. Now governments desperate for revenue are looking to close loopholes and claw back as much money as they can from taxpayers, through settlement or in court.*

*Meanwhile, the public mood has turned against avoidance as people take to the street to demand companies pay their fair share of tax. Development agencies such as Christian Aid and ActionAid, which have long argued that poor countries lose more through tax avoidance than they receive in aid, are pushing for country-by-country reporting, a standard which is soon to become a reality for companies in the extractive industries like BP and Rio Tinto.*

*The NGOs argue that tax is not simply a legal issue, it is a moral one, and it is not enough that taxpayers remain within the letter of the law, rather they must adhere to its spirit. Most multinationals remain sceptical about country-by-country reporting, but where it was once a niche issue demanded only by hardened activists calling in from the cold, now it is something companies cannot afford to ignore.*

*Tax transparency, country-by-country reporting, information exchange and transfer pricing rules are becoming increasingly important issues for taxpayers to consider in terms of their investors, their reputation and their exposure to risk. The issue will only continue to grow in importance in the coming years and, as such, it will become an increasing concern for companies looking more nervously at their bottom lines.”*

Today, we have clear that tax & transparency means that the application of the arm’s length principle is focused on the degree to which the substance of the documentation meets the demands of not only the tax authorities, but also the investors, the citizens, and the NGO. An MNE that’s unable to submit satisfactory transfer pricing documentation proving that its internal prices for goods and services are at arm’s length principle, may be facing transfer pricing adjustments when being audited, and eventually double taxation. Moreover, an MNE that fails to provide satisfactory documentation may be confronted with substantial penalty charges, depending on tax laws and regulations.

From CCO point of view, setting up a system of good and effective documentation means saving time and money on the preparation of such documentation and a substantially reduced risk of penalties. Therefore, businesses are looking for pragmatic, user-friendly solutions, preferably not going beyond the documents already available from the ongoing Company reporting; not least because the staff applying documentation rules are not normally tax experts, but operational staff. All guided by the established standards of corporate governance and ethics. Reviewing the protocol systems to ensure to achieve international best practices in terms of transparency and accountability. On the other

hand, for tax authorities, the purpose of good and effective documentation is to ensure that they have sufficient information to identify the relevant inter Company transactions and are able to determine whether a taxpayer's transfer pricing complies with the arm's length principle. The main benefit of good documentation is less complicated and time consuming transfer pricing investigations.

The CDO carrying out their own risk assessment could help companies to focus on necessary improvements in their transfer pricing system, and could make the tax audit process more efficient.

### **3. Bolstering desired relationships Transfer Pricing compliance planning: How to maintain TP compliance documentation.**

Documentation is a key requirement for many TP tax law regulations. There's no time like the present for CCO managers TP compliance issues with their legal teams. The TP process should reflect the strategy followed by a "diligent and prudent" business manager acting according to economic principles, who will be aiming to comply with the ALP. Existing procedures are often focused on gathering data for the tax authorities to evaluate. Many TP managers still don't realize the significance of maintaining detailed documentation to meet their compliance requirements. To keep their heads off the chopping block with auditors, and to meet legal requirements, TP managers must maintain compliance documentation and keep it up to date. By focusing directly on risk areas, the whole process could become much more efficient. For tax authorities, which normally have the resources to carry out all-encompassing audits, making a risk assessment may be helpful in deciding which Company to audit, or which transactions of business to examine. One of the factors that tax authorities could be taking into account when selecting a case for transfer pricing investigation is their own knowledge of the nature of the documentation produced by the Enterprise. An effective risk assessment could therefore be beneficial to both tax authorities and taxpayers. However, to achieve this tax authorities have to be prepared to give due consideration to the facts and analyses in the taxpayers documentation, and taxpayers must be prepared to produce reliable documentation, with the designing of a system to achieve the aims of management, it involves the determination of specific procedures, policies, decision rules, internal prices, and so on. In some sense, everything that has relevant information about the determinations of the tax base.

Every information Enterprise and TP compliance professional knows, deep down, that compliance documentation is critical to the ongoing viability of an TP compliance program. Documenting compliance efforts is more than a luxury. While we know that written descriptions of TP transactions are important to ensure continuity of compliance efforts in MNE –where responsibilities often shift from department to department or among individuals as they change positions- it's equally important to remember that each jurisdiction specifically require the formal documentation of TP transactions. And, yet, maintaining this documentation is one of the most often overlooked TP compliance activities.

### **4. Shifting MNE toward desired relationships**

Although in many jurisdictions, TP documentation requirements have been formulated to ensure that MNEs set transfer prices in accordance with the ALP. The basic objective of any compliance TP documentation program is to maintain a list of all the control objectives mandated by the various regulations with which an organization must comply, and then build upon this listing with a description of the specific controls used to meet

those objectives. One common system used by organizations is to develop a written compliance plan for each regulation that progresses through the requirements on a point-by-point basis. The complexity of this documentation varies depending upon the level of detail contained within each regulatory requirement. Generally speaking, you should include a description of the requirement, a description of the control, contact information for the individual responsible for the control and information regarding the last time the control was validated as being correctly in place. In detail general transfer pricing documentation requirements, being either a head office or a subsidiary of a foreign group, is obliged to prepare and have at the disposal of the Tax Administration a package of information containing:

- information on the multinational enterprise (MNE) group to which the taxpayer belongs (the “Master File”);
- information on the taxpayer, itself (the Local File).

The Regulations set forth new informational requirements, as further described below, which will enter into force for tax periods starting on and after January 1, 2016. “Country-by-country report” Pursuant to the Regulations, the “CbC Report” is a new filing requirement for the Spanish parent company of an MNE group, provided that the parent company is not itself owned by a foreign related party. Furthermore, and consistent with the OECD’s Action 13, this information must be filed for those entities that are tax residents in Spain, but are not the “Ultimate Parent Entity” of a MNE group, if any of the following criteria is satisfied:

- The Ultimate Parent Entity has designated the Spanish entities to file the CbC Report.
- The Ultimate Parent Entity of the MNE Group is not obligated to file a CbC Report in its jurisdiction of tax residence.
- The jurisdiction in which the Ultimate Parent Entity is resident for tax purposes does not have an agreement of exchange of information with the jurisdiction.
- The Ultimate Parent Entity has an agreement of exchange of information with Spain, but there has been a “systemic failure” (e.g., automatic exchange has been suspended between competent authorities) of the jurisdiction of the tax residency of the Ultimate Parent Entity pursuant to notification from the Tax Administration.

This CbC Report will be required for tax periods starting on or after January 1, 2016 and should be filed within 12 months of the end of every tax period in a model format, which will be published to this effect. Note that, unlike the Master and Local Files that will need to be “at the disposal” of the Tax Administration, the CbC Report has to be filed every year. Any Reporting Entity of an MNE group that is tax resident in each jurisdiction must notify the Tax Administration of its identity and tax residence before the end of the fiscal year for which the information will be prepared.

## **5. Changing gears**

Now, in Spain, for being subject to the CbC Report is the same as that suggested by the OECD; that being, EUR 750 million in turnover at the MNE group level (for the previous 12 months). The information to be provided is analogous to the BEPS model template (Annex III to Chapter V) and should be presented on an aggregate basis in euros for each jurisdiction as follows:

- The MNE group’s gross income (revenues), differentiating between that obtained with related entities and that obtained with unrelated parties.
- Profit (Loss) before income tax or taxes having an identical or analogous nature.
- Income tax paid (on cash basis), including withholdings incurred.
- Income tax accrued, including withholdings.

- Capital and other shareholders' funds at the end date of the tax period.
- Average number of employees. • Tangible assets and investment property other than cash and cash equivalents.
- List of resident entities, including Permanent Establishments (PE) and core activities carried out by each entity.
- Other information considered relevant and an explanation, if warranted, of the data included.

**Master File** The Regulations expound upon the information to be provided with respect to the MNE group in the Master File, which is in accordance with the Action 13 deliverable of the OECD's BEPS Action Plan (Annex I to Chapter V). Specifically, the information to be included in the Master File is as follows:

- Organisational structure.
- Business description.
- Intangibles.
- Financial activities.
- Financial and tax positions.

Noteworthy is the fact that the MNE group's information must also include information on PEs. **Local File** In this case of the Local File, the Regulations require more detailed information on specific intragroup transactions to evaluate the arm's length nature of material transfer pricing positions in the relevant jurisdiction. The information to be included in the Local File is the information contained in Annex II to Chapter V of the Action 13 deliverable. PEs of foreign resident taxpayers are also obligated to prepare a Local File for the jurisdiction.

**Comparability analysis:** In addition to verifying the arm's length nature of a transaction, the new Regulations empower the Tax Administration to recharacterize the transaction and correspondingly adjust the value of transfer prices. Further, the Regulations warn that statistical measures can be used to minimise the risk of error due to unknown or unquantifiable comparability defects. The Regulations, however, do not establish what appropriate measures should be applied to improve comparability.

**Simplified documentation requirements:** Companies belonging in MNE groups with revenues under EUR 45 million are now only required to prepare documentation that is inclusive of the following:

- Description and amount of the controlled transactions.
- Information on the taxpayer and the related-parties.
- Transfer pricing method selected.
- Comparable data used and the arm's length range thereof.

The business model of MNE usually differs from the way in which third parties operate. In this context, it's important to recognize that the trend in today's business and investing world is towards and increase of intra-group transactions. This shift is largely caused by the integration of markets, in a Global Economy. Furthermore, more and more importance is the Goodwill and is attached to the value of intangible property, resulting in the chance for dividing profits. This means that it's opportunity to identify comparable transactions between third parties. Consequently, the use of public and private commercial database in the search for comparable data supporting the arm's length nature of inter-company

transactions, for example: Bureau Van Dijk<sup>9</sup>, experts in private company information, corporate structures and M&A deals. BvD offers a range of company databases and a range of Catalysts that can help CCO with specific business challenges. Amadeus, Orbis, Bankscope, Osiris, Isis, Zephyr, EIU Countrydata, EIU Countryindicators, Citydata, and EIU Dataservice.

AIDA	Italy
ASTREE	France
AURELIA	Austria
BEL-FIRST	Belgium & Luxembourg
DAFNE	Germany
DIANE	France
ICARUS	USA & Canada
MARKUS	Germany, Austria & Luxembourg
ODIN	Norway, Sweden, Finland & Denmark
REACH	Netherlands
RUSLANA	Russia
SABI	Spain & Portugal
SABINA	Austria
SAFFRON	Thailand

To avoid penalties consequences, MNEs are forced to produce documentation to the effect that cross-border intercompany transactions are undertaken at arm’s length terms, and moreover need to ensure that the transfer pricing methodology applied and comparable companies selected satisfy the local tax authorities involved and comply the regulations establish by each jurisdiction involved.

## 6. Case method: Mobile World Intellectual Capital

Consider the Mobile Advertising company.- setting a new benchmark for professional career. Which found innovation changes for consumer behavior patterns. Helping customers invest better. The mere mention of the world business and investing in the 21th century, could get an average investor to break into a sweat. The proliferation of half information through multiple sources leads to por investment decisions or worse yet, no decision at all. In most cases, brands put their money in a savings account and keep postponing their marketing campaign decision.

Mobile World Intellectual Capital has created a solution that would help Advertisers investing with confidence.

- We believe every site is not create equal:

We are rigorous in our discipline on Site Quality and will continue to deny over 98% of sites that apply as the most selective and premium native network in the world.

- We believe in user experience:

We believe your users deserve more than what they get now from the "Cookie Cutter" native networks. We believe a native platform only succeeds when your users love the platform and it adds true value to them and their experience on your site specifically.

- We believe relationships are built on trust:

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<sup>9</sup> Vid. <http://www.bvdinfo.com/>

We don't try to backdoor our partners into long term exclusive agreements and believe all relationships should be built on being open, complete trust and honesty and this drives the data we provide to you.

- We believe in people driven technology:

We are driving what your users are thinking of next and in order to do that we need to put the focus on your users and all of our systems are designed to understand brand users which is why we have continued to lead the way with our patent pending native technology.

- 2016, with 30.892.808.010 mobile clicks being sent to the system. With the increasing number of publishers.
- 500 active geos running the campaigns. Generating traffic worldwide, whatever the country that each Company need.
- 100.000.000 sales in 2016, one of the biggest networks. The Company maximize your Brand and your Website.

Mobile World Intellectual Capital distil the best practices of mobile advertising in an automated, algorithm-powered process, which can be confidently adopted to create Market Makers, in the Mobile Advertising, meeting the needs. Generating traffic, reaching value, with a fair price according to the needs we intend to cover. One link after another, part of the need, desire, and meet the demand or limitation of purchasing power of market demand that we cover, getting the process, generating the market price.

The transactions are between Advertisers, to promote an app in a certain country or with global audiences, Mobile World Capital has a product that will meet the advertising needs. Integrated with Emma, mobile app tracking has offers, flurry, appflyer, adjust by adven, apsalar, tapstream, ajillion, adways, inmobi, adbrix, fox. On the other hand, publishers, that maximizes revenues with Mobile World Intellectual Capital, with the best technology that allow to target the most appropriate ad for the audience goal. Getting for the potential customer Brand unmatched effective cost per mille<sup>10</sup>.

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<sup>10</sup> BEA, F., "What is "eCPM" and what's there to know about this metric?" in AppFlood.com says: "Developers, advertisers, publishers, ad industry executives all sound off on the importance of eCPMs, but really what exactly is "eCPM"?"

If you're a publisher, after a successful app launch you'll need to measure how well your app is monetizing from the ads you publish. To do this, you use eCPMs. We'll get into the details shortly, but think of eCPM as the ad industry's universal standard of measurement, which comes in handy when you're comparing how well campaigns are performing side-by-side.

What does eCPM mean? eCPM means "Effective Cost per Mille." Mille in Latin is defined as 1,000. Since we're speaking in terms of mobile advertising, eCPM translates to the advertising revenue generated per 1,000 impressions. The definition is clearer when you break eCPM down to its equation. The eCPM equation:

$$eCPM = \frac{\text{Total Earnings}}{\text{Total Impressions}} \times 1000$$

The first left-hand side of the formula requires that you divide the total advertising earnings you've generated by the total number of impressions you've given that advertiser. This result leaves you with how much you've earned per single impression, or in other words how much you've been paid for displaying one ad one time within your app. But since eCPMs are paid out by every 1,000 impressions, you multiply this earning/impression ratio by 1,000. What you'll get is a number for how much you're earning on average from your eCPM campaign. eCPM is a great measurement tool if you're comparing the ad performance of each advertiser. For instance, since the AppFlood dashboard will list the eCPMs you're making next to each advertiser's name, you can use the eCPM to get a feel for how well users are responding to the ads you're displaying. The higher the eCPM, theoretically the more money you're making from the advertiser

Data and intuition, knowing the power and perils<sup>11</sup>, base on a reasonable amount of management by wandering around, and analytics, from an annual advertisers engagement survey and publishers, are necessary. We generate passion and emotion, to get experience in digital marketing. We have changed the impersonal nature of marketing, motivating and generating traffic, and hence we reimagined the business process to suit customer needs. We tried to bridge the gap between advice and action. Making investment decisions is complex and there is a lot of advice available out there. Everyone finds it almost impossible to translate advice into action.

Mobile World Intellectual Capital endeavors to make the process of doing marketing experience easy and enjoyable. Our customers often describe their user experience as “empowering”. Affordability, accessibility, with the new platforms for entrepreneurs, and consolidate brands. We built a model of the psychology of simplification –if the world is offering too many choices, we need to simplify it, especially in the case of products that we keep buying again and again, for example Gillete, Henkel, Procter & Gamble, etc. We feel that human beings are rational in reducing choices and it’s good to emotively bond with a brand. We held that satisfaction is a key factor, and that advertising, would not work well. What Works well would be reinforcement after one makes a choice, which is in an App with a totally different paradigm. With the experience “Think local, act global”, knowing that a consumer growth economy is taking shape in the planet. Brand new markets are being created because of changes in the social scenario are growing and constantly update, solvings needs. We move the traffic on social networks, and internet sites finding a different way to keep customers connected. We offer more tan solutions, we create relationships. We believe that Advertisers and Publishers are best served by reaching out regularly to the stakeholders. The present of marketing is technology and intuition<sup>12</sup>. Diligent marketers should harness their power of intuition. To garner customers<sup>13</sup> with advertisers, insights and establish publishers connect, making money<sup>14</sup>. The Frank and candid dialogue consumers are having about products, services and brands on digital platforms is opening up yet another area of drilling into what is really happening in the consumer’s mind. Today is relevant the work of the active geo running, the game started in some way a decade ago as “buzz monitoring”, agencies were asked to monitor the “buzz” about specific brands by tracking and analyzing the dialogues happening on digital platforms, as for example eCircle, Domeus, Dooyoo, over the last few years, this has evolved into a more complex “netnography” analysis<sup>15</sup> In Chapter 1 KOZINETS<sup>16</sup>

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for every 1,000 impressions.” Vid. <http://appflood.com/blog/what-is-the-definition-of-ecpm> 28/03/2016, 12:00H PM.

<sup>11</sup> Vid. <http://www.michaelleestallard.com/wp-content/uploads/TheSmartManagerCoverStory-MichaelLeeStallardNov-Dec-2014.pdf> 27/03/2016, 16:00H PM.

<sup>12</sup> SATELL, G., “The Future Of Marketing Combines Big Data With Human Intuition”, *Forbes*, 12/10/2014, <http://www.forbes.com/sites/gregsatell/2014/10/12/the-future-of-marketing-combines-big-data-with-human-intuition/#6528b6284331>

<sup>13</sup> ZALTMAN, G., *How Customers Think: Essential Insights into the Mind of the Market*, Ed. Harvard Business School, 2003; AI, R., TROUT, J., KOTLER, P., *Positioning: The Battle for Your Mind*, Ed. McGrawHill, 2000.

<sup>14</sup> NORRIS, I.B., KAY P., PRASAD A.N., “Discovering How Advertising Grows Sales and Builds Brands”, in *Journal of Marketing Research*: December 2012, Vol. 49, No. 6, pp. 793-806. Vid. <http://dx.doi.org/10.1509/jmr.11.0060>

<sup>15</sup> BOWLER, G.M., “Netnography: A Method Specifically Designed to Study Cultures and Communities Online”, in *The Qualitative Report* Volume 15 Number 5 September 2010 1270-1275 <http://www.nova.edu/ssss/QR/QR15-5/kozinets.pdf>

<sup>16</sup> KOZINETS, R. V., *Netnography. Doing ethnographic research online*. Thousand Oaks, CA: Sage Publications, 2010.

(2010) describes what exactly are online cultures and communities, and why they are important topics for social scientists. From the beginning, the online social environment was viewed with suspicion and cynicism, as a context that created task-oriented, “impersonal”, “inflammatory”, “cold”, and “unsociable interactions” (KOZINETS, p. 23). Over time, research cast doubt on these suppositions. Analysis of the actual content of Computer-Mediated Communications (CMC) started to reveal discrepancies in this work. In the physical world, communities are typically groups of people (a town, for instance) held together by some common identity or interest. The same holds true for virtual or online communities in that they, too, are comprised of people with shared identity or interests coming together for a shared purpose. This shared interest or intent offers a strong forum for members of the community to build relationships and affiliations out of which they can learn from one another and make an impact on the society or culture around them. In the second chapter KOZINETS (2010) provides a general overview of the existing research on online cultures and communities, and he mentions some of the most important and influential research from the fields of sociology, anthropology, cultural studies, consumer research and other fields. KOZINETS recommends distinguishing between newbies, minglers, devotees, and insiders when analyzing messages from online community members. Newbies lack strong social ties to the group and maintain a superficial or passing interest in the consumption activity. Minglers maintain strong social ties, but are only perfunctorily interested in the central consumption activity. Devotees maintain a strong interest in the consumption activity, but have few social attachments to the group. Finally, insiders have strong social ties to the group and Gary M. BOWLER, Jr., p. 1272 maintain a strong interest in the central consumption activity. KOZINETS highlights devotees and insiders as the most enthusiastic, actively involved and sophisticated users and thus as the most important data sources for researchers.

Today, the digital medium is giving brands a big way of keeping track of what consumers are saying about them, for example Amazon Customers experience, or TripAdvisor opinions, reviews and helpful votes, etc.

We will continue seeing a galloping trend in social media, applications chatter about brands. It’s important that brands invest in understanding the consumer dialogue happening on digital platforms, the same is applicable for the politicians with the citizens. Not only should brands find out what consumers are saying about their own Brand and product, but also the competition as well as complimentary and supplementary products.

Finally as says PARAMESWARAN<sup>17</sup>, advertising decision-making is today a lot more numbers-driven than what it was a couple of decades ago. With the availability of better-quality, real time data, marketers are better armed to decide what will work and what will not work. The more exciting piece of advertising decision-making continues to be what consumer insight to build the advertising campaign on. And it is here that intuition continues to play a more meaningful role. Marketers need to see how they can embellish their own intuitive skills by exposing their teams to more outside influences and deeper consumer insight and connect that with the Brand, through a powerful idea.

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<sup>17</sup> PARAMESWARAN, A., “The gut instinct”, in *The Smart manager*, Vol. 13, n° 6, Nov. Dec. 2014, p. 29 [http://www.thesmartmanager.com/file/081214012706\\_TheSmartManager,CoverStory-AmbiParameswaran,Nov-Dec-2014.pdf](http://www.thesmartmanager.com/file/081214012706_TheSmartManager,CoverStory-AmbiParameswaran,Nov-Dec-2014.pdf)

## 7. A new orientation

What does all this mean for the structure and function of the MNE organization? The actions that is recommended for the Transfer Pricing political couldn't take hold or be effective if the MNE retains its traditional ways of doing things.

The same is applicable for the CCO, and CDO to document TP transactions, with MNE and the partnerships, subsidiaries, to generate TP documentation, Transfer Pricing thinking will enhance Transfer prices compliance satisfaction, increase engagement, and improve CCO experience. The obvious profit will come through top and bottom line growth and increased market share. If the Company has transfer prices, Transfer pricing documentation thinking is the way to keep the ALP spinning at peak performance. I believe that when CDO adopt this approach, MNE will minimize the risk, not raise it. In fact, the riskiest thing to do is nothing at all. There is an old saying that a rut is nothing more than a grave with both ends knocked out. We have to get out of our ruts; we have to change – either as a response to the change we see coming or by creating the change that we see needs to be made. In this hypercompetitive time, MNE cannot afford to get stuck in a rut; it is death. Become a TP documentation thinking organization and your Company will move out of the shadows of not understanding the market value, the market price, but leading it. It is a fresh way to capture the power of your Arm's length price, in order to understand how to better serve, engage, and design better experiences for them. Transfer pricing companies achieve lasting a long term results.

And here are the first steps:

- Ignition.
  - Identification.
  - Ideation.
  - Insight.
  - Implementation.
  - Impact.
  - Infrastructure.
- I. Ignition: What's the process and who's going to own it, transfer the knowledge and distribution of risks and benefits. In each Company you need a CDO who is willing this effort. Their role will be to organize the TP documentation and keep it update. The CDO need to span to each department with the idea that knowing transfer pricing transactions will lead to a better development of the documentation with the ALP. It's important the attitude of the department to drive CDO thinking forward. Be honest about the transactions and what you need to improve the TP documentation.  
No single department owns Transfer Pricing thinking: everyone in the Company has to move past their silo and unite around the idea that knowing TP transactions more will lead a better development of the MNE.
  - II. Identification: In what consist each transaction, writing a project brief that lays out the particulars. Which customers or non customers, does the transaction connect with, picture them and give them benefits and risks. Decide the ALP price.
  - III. Ideation: How are the transaction to benefit the MNE, and how this contract will benefits each part of the transaction and what are looking for the future. Consider the barriers to accomplishing them.

- IV. Insight: What each part of the contract think, feel about the price ALP, hear, see, say, and do. Listening involves understanding what each part of the transaction are saying about TP, products, services, and their experiences. CDO must actively listen to understand, it's important to capture their authentic knowledge and CDO needs to focus on how gather the transactions information is needed and documented.
- Employ emphatic research: CDO will want to utilize some type of contractor interview process –one-on-one interviews, focus groups, larger panel discussions, surveys, or other methods-. A contract is much more than an agreement between two parts. There must be an offer and acceptance, intention to create a legally binding agreement, a price paid (not necessarily money), a legal capacity to enter a contract of your own free will, and proper understanding and consent of what is involved.
  - Visualization is a critical part of transaction thinking. If it is true that a picture is worth a thousand words, it's worth ten thousand numbers on spreadsheets.
- V. Implementation: What did CDO learned and what will CDO does with it? Start with a through team analysis of what CDO has learned. Much of the art of Transfer Pricing thinking is in interpretation and translation. CDO must decide what the deal is really telling you. Sometimes there are mixed signals; so CDO has to make decisions. What is really actionable to effect positive change within the Company? What are the breakthrough ideas? What are the breakeven price? Are there still gaps in the information? Translate CDO findings into simple, MNEs stories to communicate within the organization. Few can understand, or support a presentation filled with boring graphs and statistics.
- VI. Impact: How did it work? It's important to assess the impact of the CDO Work. Establish metrics for a TP documentation thinking Project. Once solutions are implemented, how are they working? Could CDO establish a "return-on-insight" metric?
- VII. Infrastructure: Resources.- Recognize that the MNE team will be spending a portion of their time hard at work on TP documentation thinking. Establish a Budget and stick to it. If outside help is needed, plan and Budget for it right upfront.
- Barriers: Face it, there will be opposition to this work. Some will scoff and say it is a waste of money and time, but is a shall, it's a duty that the Company has to comply.

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