



ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION

IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

Nearshoring and Tax Impacts

5Th October 2026 - Copenhagen





ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION
IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

Meet your panel



Albert Collado
Garrigues
Spain



Su-Mei Ban
GSM Law LLP
Singapore



Sven-Eric Barsch
Flick Gocke
Schaumburg
Germany



Nadja D. Ruiz-Euler
Baker McKenzie
Mexico



Stefanie Kavanagh
Baker Hostetler
United States



Himanshu Sinha
Trilegal
India



Hjalte Volqvartz
Vestas
Denmark





Agenda

1. Introduction: group Vestas
2. U.S. tariffs update
3. Manufacturing sites: transfer pricing policy design and inbound tax considerations
4. Intangibles & R&D: transfer pricing policy design and inbound tax considerations
5. Tax challenges arising from manufacturing footprint and R&D reorganizations
6. Tax certainty: MAPs and APAs



ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION
IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

Introduction: group Vestas

Supply chain resilience





From a bold vision to the global leader in sustainable energy solutions

1945 — The Vestas name

Hans' son Peder takes over the company, and founds Vestjysk-Stålteknik A/S, which is later shortened to Vestas. The company produces agricultural machinery and later hydraulic cranes.

1987 — Focus on wind

Vestas Wind Systems A/S, is born and focus is shifted entirely on wind energy, beginning the journey towards becoming a global, high-tech market leader.



2000s — World leader

New technology, efficiencies and the merge with NEG Micon leads to Vestas becoming the undisputed world-leader in modern wind energy.

2020 — Back in Offshore

Vestas acquires MHI Vestas Offshore Wind, welcoming offshore wind back as a core member of the Vestas family and becoming the undisputed global leader in wind.



1979 — 1st turbine

The first Vestas turbine is sold and installed – with a 10-meter rotor and capacity of 30 kW

2019 — 100 GW of installed capacity

Vestas becomes the first company to install 100 GW of wind turbines, solidifying our position as the world's leading manufacturer of wind power solutions.

1995 — Going offshore

Vestas constructs its first offshore wind turbine farm "Tunoe Knob" in Denmark. One of the first offshore wind farms ever built.

2025 — 200 GW of installed capacity

Vestas also becomes the first company to install 200 GW of wind turbines globally. A testament to Vestas' leading position within wind energy solutions and the scale at which renewables is growing in the global energy system.

1898 — Blacksmith beginnings

Hans Søren Hansen buys a blacksmith shop in the town of Lem in Denmark.



Core portfolio of sustainable energy solutions

Onshore

Vestas is the market leader with more than 45 years of experience in Onshore wind. Based on our own onshore wind turbine product design and development, we offer customers wind power solutions, and we take care of everything from siting, manufacturing, construction, and installation to final commissioning in cooperation with our partners.

Offshore

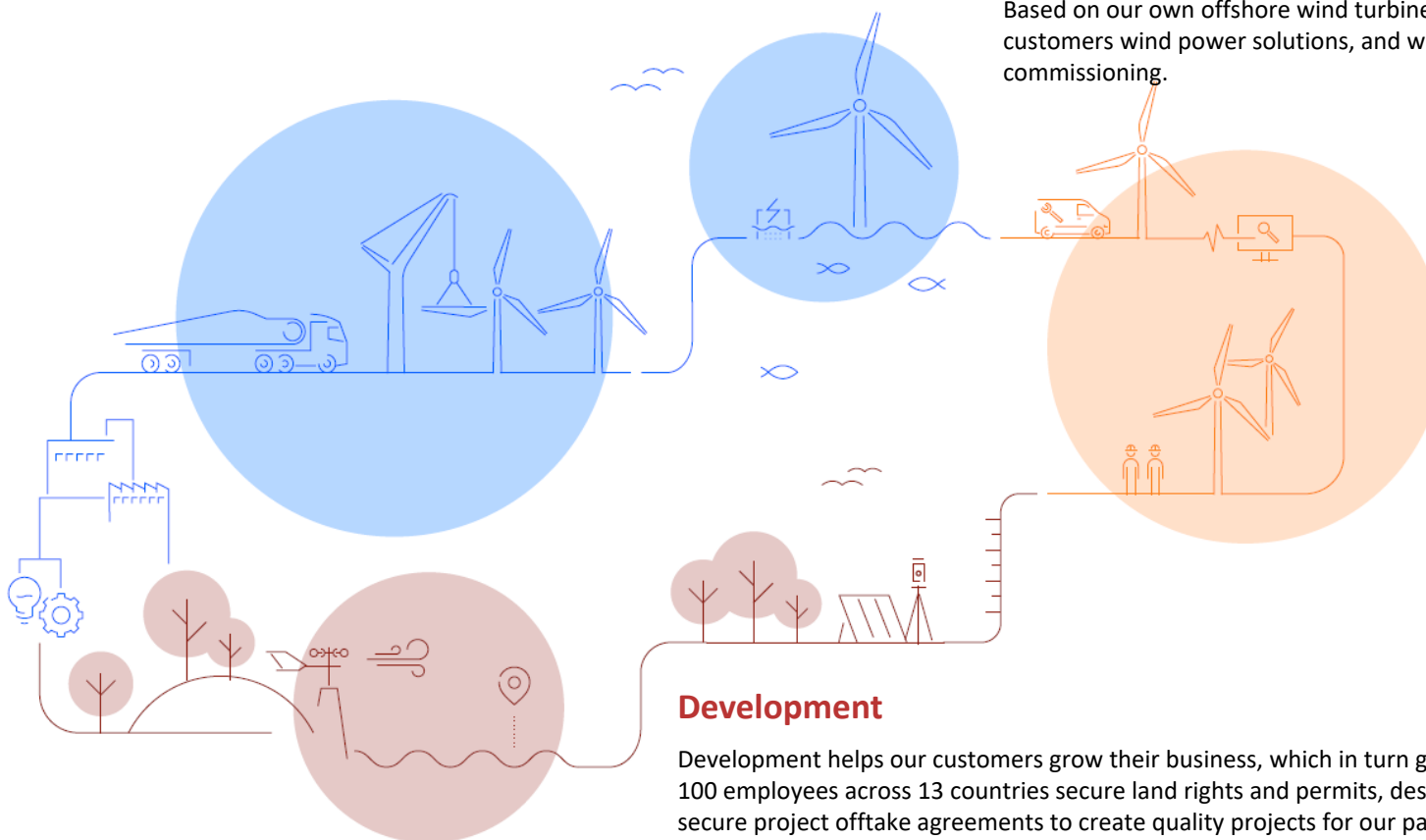
Vestas is becoming a leading player in Offshore wind with almost 30 years of experience. Based on our own offshore wind turbine product design and development, we offer customers wind power solutions, and we take care of all stages from siting through final commissioning.

Service

Vestas is the global leader in Service within wind power with around 16,000 employees across 72 countries. Our people service 160 GW for our customers on long-term subscription-based contracts, making their assets operate more effectively.

Development

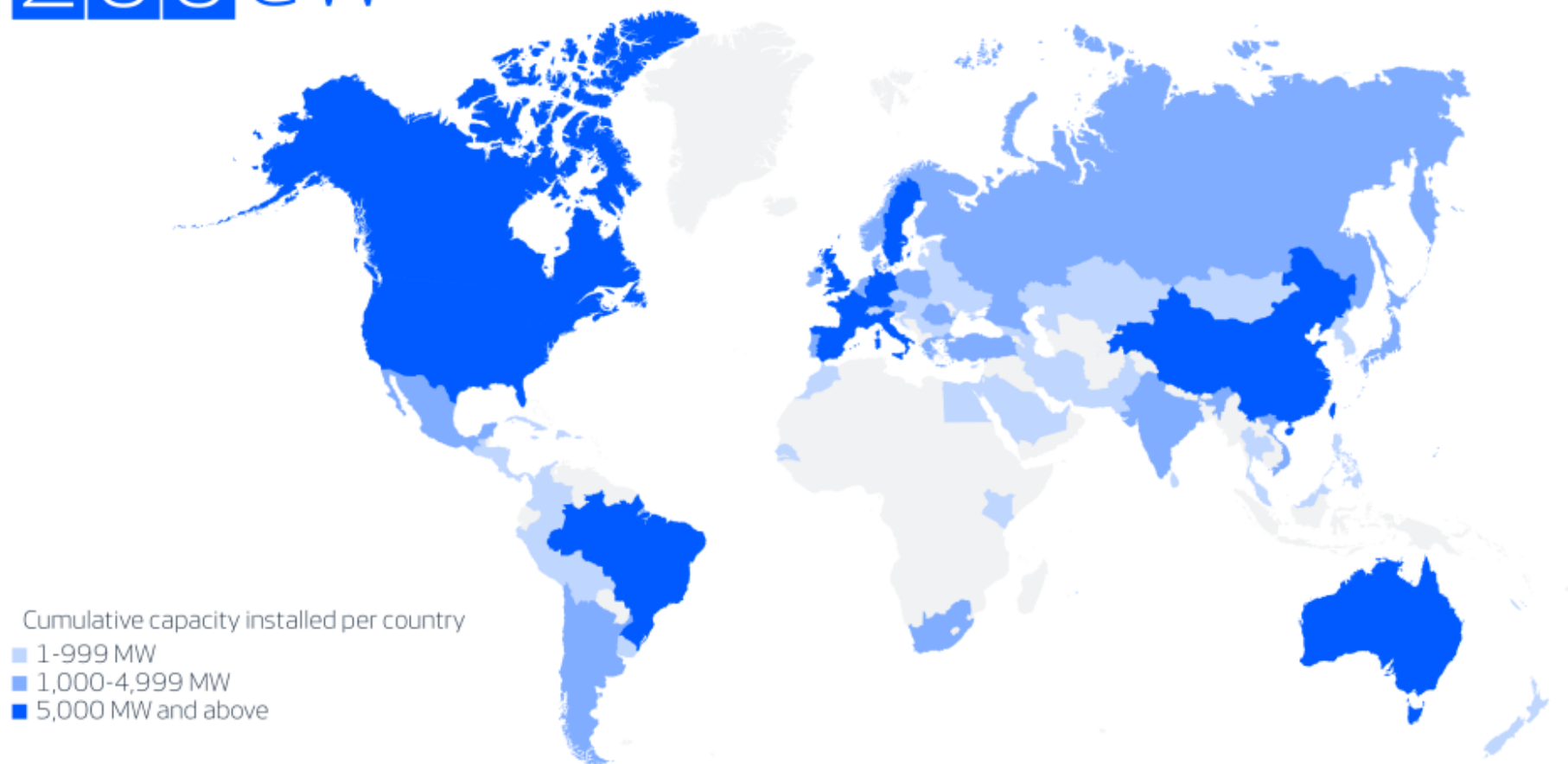
Development helps our customers grow their business, which in turn generates order intake for Vestas. More than 100 employees across 13 countries secure land rights and permits, design sites, ensure grid connection, and secure project offtake agreements to create quality projects for our partners' investments.





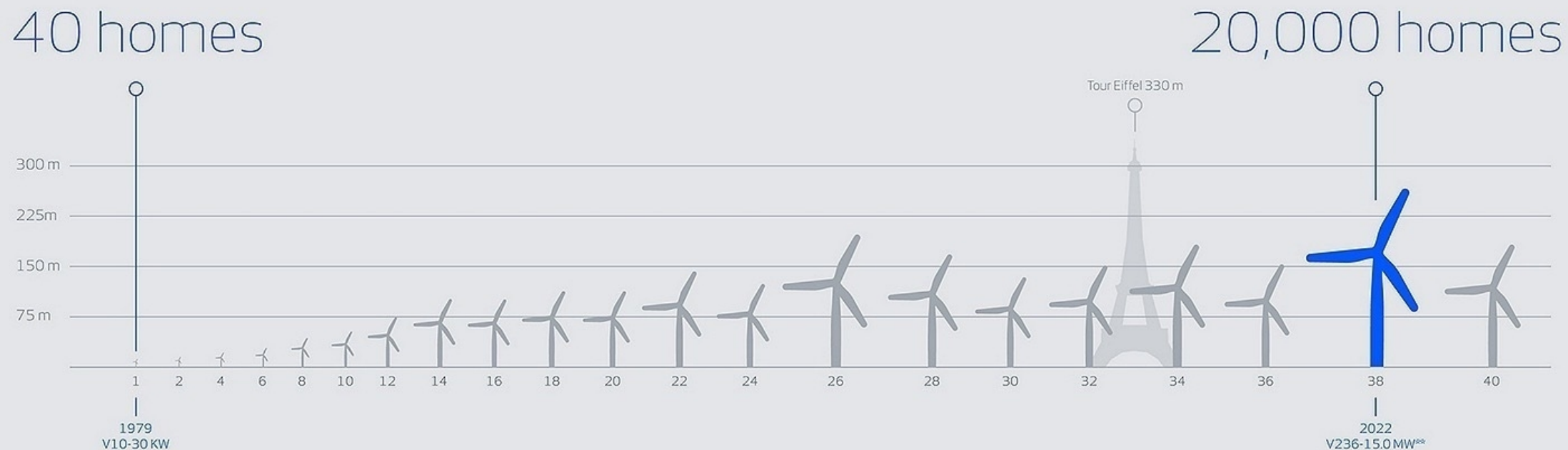
Installed turbines in 88 countries across 6 continents

200GW





Turbine evolution



^{***}Households powered assumes turbine operating at max capacity and powering an average European household. Tower height varies depending on site



Keep focus sharp and deliver a strong 2026





Vestas' global manufacturing footprint 2017





Vestas global manufacturing footprint Q4 2025

A **scalable** and **resilient**
global setup with
supply from Vestas'
own factories and
Vestas' partners
both on- and offshore





2026 Key messages

Context

The [Energy Transition](#) holds [tremendous potential](#) for wind as the world continues to electrify and decarbonize.

Energy systems of the future must be [affordable](#), [secure](#) and [sustainable](#)

The next decade will be about [proving that wind can be a trusted 'backbone'](#) of any energy system.

Continued grid constraints, shifts in policy & sentiment and changing market dynamics have led to a [slower expected pace of growth](#)

[Geopolitical tension](#) drives uncertainty across the value chain requiring high levels of [resilience and adaptability](#).

Looking ahead, [improving value through performance](#) must be our main priority as we [lead the recovery](#)

Vestas Global Strategy

[Our Global Strategy](#) and commitment remains unchanged.

[Seven Global Strategic Priorities to guide Vestas in 2026:](#)

- **Onshore:** Lead with EnVentus and reinforce deal-enabling mindset
- **Offshore:** Succeed with ramp-up and cost-out to extend competitiveness
- **Service:** Deliver operational recovery and commercial reset
- **Quality:** Drive operational quality and achieve lower LPF
- **Cash:** Free up cash to return value to shareholders
- **Efficiency:** Reset towards a simpler and more customer-focused operating model
- **People:** Strengthen performance mindset and accountability



ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION
IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

U.S. tariffs update





U.S. Tariffs – Current Landscape

Key Dates

- Feb. 1, 2025 – IEEPA tariffs first issued (10% on Canada, Mexico, and China)
- Apr. 2, 2025 – Reciprocal tariffs issued under IEEPA (“Liberation Day”; country specific and 10+%)
- Feb. 20, 2026 – Supreme Court rules that IEEPA tariffs are unlawful
- Feb. 24, 2026 – New Sec. 122 tariffs issued (temporary 10% tariff expiring after 5 months)
- Mar. 4, 2026 – U.S. CIT orders CBP to begin refunding IEEPA tariffs to importers
- July 1, 2026 – U.S. declined to confirm its intention to extend the USMCA for an additional 16-year period, triggers annual joint review process until USMCA is set to expire in 2036
- July 24, 2026 – Sec. 122 tariffs expired; Sec. 301 “forced labor” tariffs took effect (10% or 12.5% tariffs imposed on imports from 60 countries)

In addition: Country- or Sector- Specific Tariffs

- Sec. 232 (imposed on the basis of national security; apply to goods such as steel, aluminum, automobiles, copper, trucks, buses, wood products, semiconductors, pharmaceuticals, and polysilicon)
- Sec. 301 (imposed on certain imports from China, Nicaragua, and Brazil)
- Sec. 338 (imposed on Canada for alleged trade discrimination against U.S. industries)
- Sec. 201 (imposed on quartz surface products, solar panels)



U.S. Tariffs – Strategies for Tariff Mitigation (Myths)

- **Classification:** “I can choose a classification with a lower duty rate.”
 - Maybe, but only if you were using an incorrect classification in the first place. There can be **only one classification**.
- **Country of origin:** “I can ship to another country with a lower rate and repackage the product there.”
 - No. The country of origin will change only if there is a “**substantial transformation**” to the components through manufacturing.
- **Valuation:** “I can declare the value of just the cost of my goods, or I can set up a separate invoice for “royalties” or “services”.”
 - No. In most cases the declared value is the full “**price paid or payable**” by the buyer.
- Duties apply at the **time the ship leaves port:**
 - No. Duties **apply upon entry** at the U.S. port.



U.S. Tariffs – Strategies for Tariff Mitigation (Real Strategies)

■ **Classification:**

- Double-check whether classifications are correct
- Look at whether finished product has lower tariff rate

■ **Country of origin:**

- Look at trade agreement possibilities
- Substantial transformation in lower tariff countries

■ **Valuation:**

- Unbundling – Don't add freight, duties or post-import services to declared value
- See whether "first sale" rule might apply (requires: 2+ sales; at arm's length; goods clearly destined for the U.S. at time of sale)



U.S. Tariffs – Which Party Bears the Cost in a Controlled Transaction?



The foreign manufacturer?

For U.S. Customs purposes, the importer of record pays the duties/tariffs; CBP does not care who is actually funding such costs



The U.S. distributor?

For tax purposes, it can be more complicated:



The end customer?

- Consider: agreement terms, actual conduct of parties, framework on risk control
- Look to: case law, IRC sec. 482 regulations, OECD TPGs



U.S. Tariffs – Recovering IEEPA Tariffs

There are several ways to seek refunds of IEEPA tariffs from CBP. The choice of which method to choose depends on the date of liquidation for each shipment

- CAPE → entries that are unliquidated or 0 – 80 days after date of liquidation. CAPE Declaration filed electronically by customs broker. Fastest refund path.
- Protests → entries that are 80 - 180 days after date of liquidation. Filed electronically by importer, customs broker or legal counsel.
- CIT complaint → entries more than 180 days after date of liquidation. Legal counsel can file the complaint. Longest path to refund.

Transfer pricing implications:

- Evidence from uncontrolled transactions
- Margin distortions
- Timing mismatches
- Intercompany true-ups
- Pass-through obligations



ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION
IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

Manufacturing sites: transfer pricing policy design and inbound tax considerations





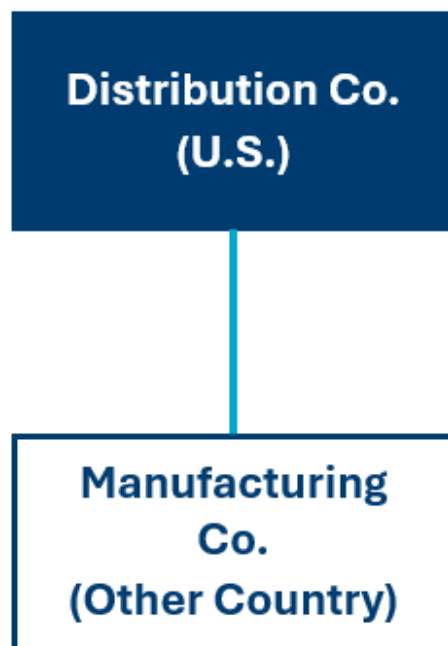
Manufacturing Models — Ownership, Control and Risk

MORE LOCAL OWNERSHIP & RISK →

	TOLLING Principal retains the inventory	CONTRACT MANUFACTURING Routine producer to specification	FULL-SCALE MANUFACTURING Entrepreneurial local operator
INPUTS & INVENTORY	Principal supplies and owns raw materials, WIP, and finished goods.	Manufacturer typically procures and owns materials/WIP until finished-goods sale.	Local entity owns materials, inventory, and manufacturing assets.
OPERATING CONTROL	Local entity provides plant, equipment, and labor; principal directs specifications.	Local entity adds sourcing and production execution; principal retains product/IP direction.	Local management controls procurement, production planning, quality, and supply chain.
RISK PROFILE	Primarily conversion, quality, and operational risk; limited inventory and market exposure.	Some sourcing, inventory, and quality risk; generally limited market and IP risk.	Significant inventory, capacity, supply, warranty, and market risks.
TYPICAL RETURN	Service fee: often cost plus on conversion costs.	Routine manufacturing return: commonly CPM/TNMM; cost base matters.	Entrepreneurial result linked to sales, costs, and risks; no guaranteed margin.



Off-Shore Manufacturing Sites — U.S. Considerations



When considering whether to use tolling, contract, or full-scale manufacturing arrangement:

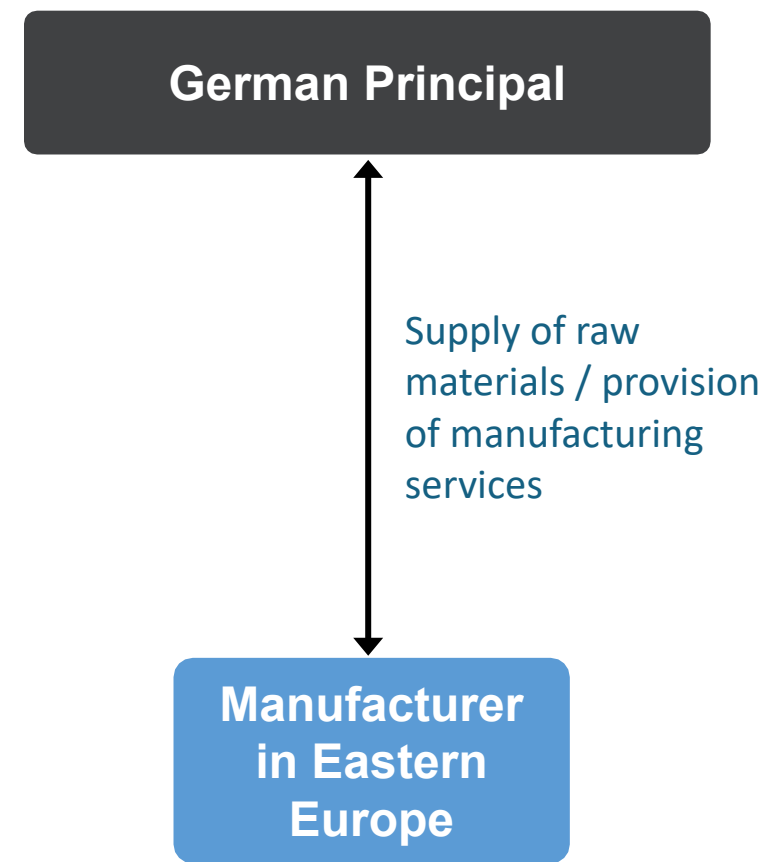
- Labels alone do not control: ensure there are robust agreements and documentation; are parties acting in accordance with such?
- Is remuneration appropriate?
- Has this created a PE?
- What is the U.S. Customs impact?



Germany: Court case on cost base for contract manufacturing services

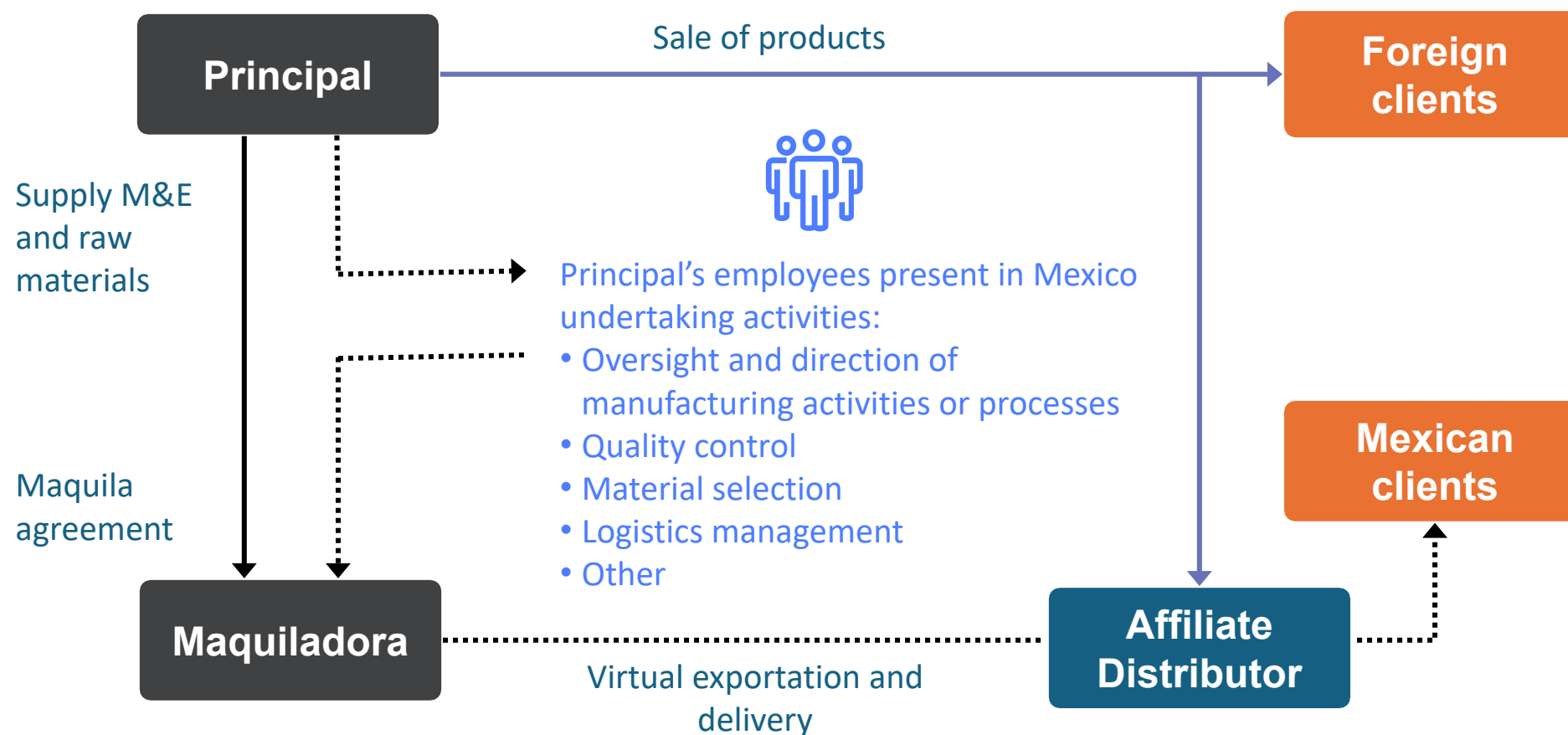
Federal Tax Court of August 9, 2023 (no. I R 54/19)

- Among other things, an affiliated company sold the products it manufactured exclusively to the German company.
- The Federal Tax Court considered the application of the cost-plus method for determining the transfer price with regard to the products sold by the affiliated company to the German company to be appropriate.
- As a commitment to purchase the manufactured products was de facto given by the German company, the Federal Tax Court took the view that the costs for the material purchased by the Bosnian affiliated company were not to be included in the cost base, since they could not be regarded as value-adding. This was also supported by the fact that the Bosnian affiliated company did not perform any functions relation to “particularly in the **strategic procurement** process (e.g., selecting suppliers, negotiating prices, determining quality, determining quantities, negotiating delivery terms)”.



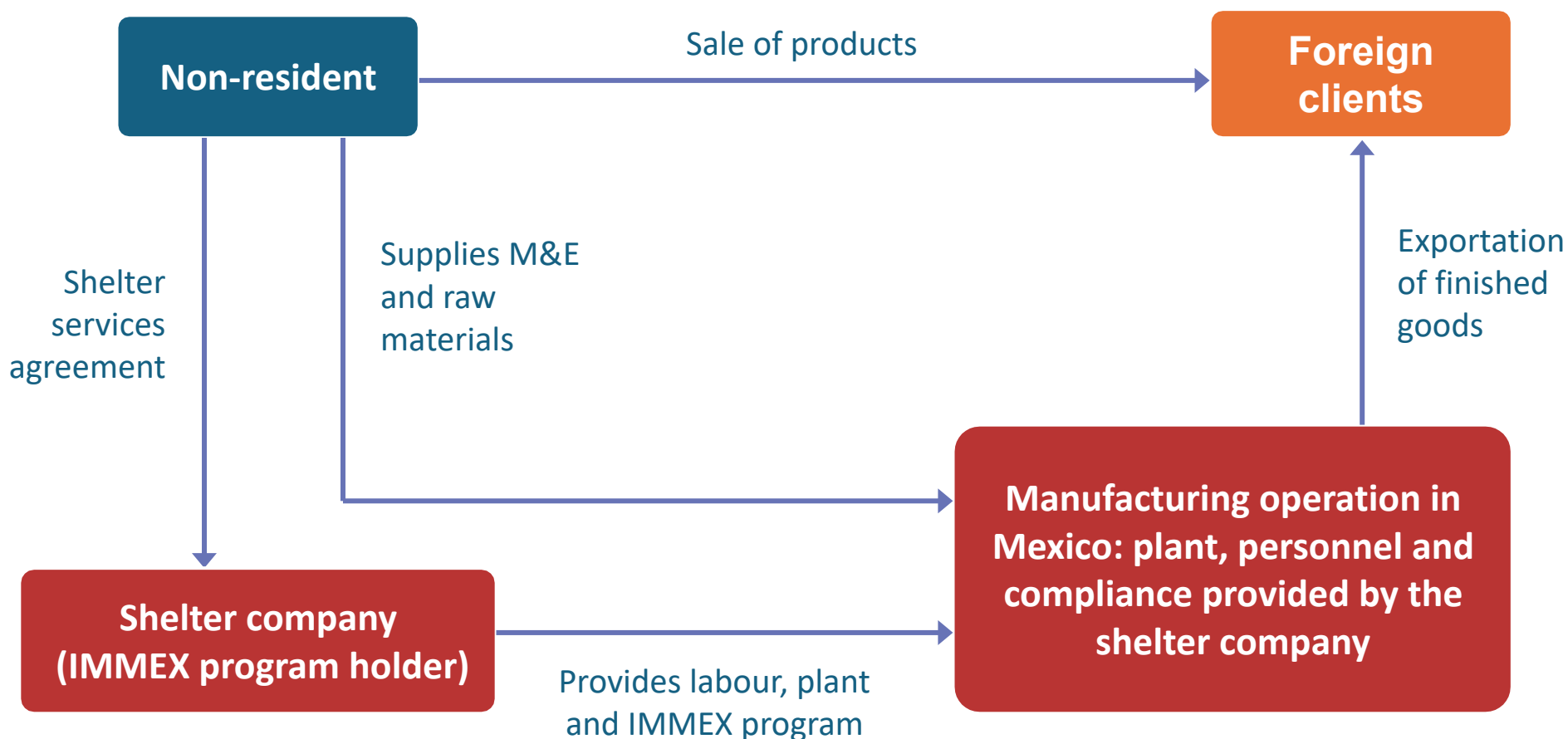


Mexican pure maquila tax regime (IMMEX-Safe Harbor)





Mexican pure maquila tax regime (IMMEX-Safe Harbor)





Comparative tax effects and practical considerations (Mexico)

Related-party restriction: the shelter regime is available only where the non-resident and the shelter company are unrelated parties; the pure maquila regime is designed precisely for related parties.

Substance and control: the pure maquila affords its Principal full operational and labor control; the shelter regime transfers employment and administrative risk to the shelter provider.

Registration: the shelter company must be registered before the tax authorities and comply with certain tax obligations on behalf of each sheltered non-resident.

Typical use: the shelter regime serves as an entry vehicle for non-residents testing the Mexican market; the pure maquila is the structure for long-term manufacturing operations.



Case study*: Mexican tax effects of the maquila regime - facts

■ Facts of the case

- AlphaTech Inc., a corporation resident in the United States (a treaty jurisdiction), engages AlphaTech Mexico, S. de R.L. de C.V., a Mexican resident entity holding an IMMEX program, to perform contract manufacturing of electronic components.
- AlphaTech Inc. retains title to all raw materials and work in process, which are imported into Mexico under the temporary importation regime.
- Machinery and equipment used in the operation: 60% owned by AlphaTech Inc.; 40% leased from an unrelated third party. None of the machinery was previously owned by AlphaTech Mexico or by a Mexican affiliate.
- All finished goods are exported; the entirety of AlphaTech Mexico's revenue from productive activities derives exclusively from the maquila operation.
- Employees of AlphaTech Inc. periodically visit Mexico to oversee manufacturing processes, perform quality control and manage logistics.

■ Issue

- Whether AlphaTech Inc. is exposed to a permanent establishment in Mexico and how AlphaTech Mexico must determine its taxable profit under Articles 181 and 182 of the Mexican Income Tax Law (Ley del Impuesto sobre la Renta “MITL”).



Article 181 MITL - permanent establishment protection (Mexico – case study)

■ Rule

- A non-resident is not deemed to have a permanent establishment in Mexico solely by reason of its legal or economic relationship with a Mexican company performing maquila operations on its behalf, provided the statutory conditions are met.

■ Conditions applied to the case:

- Treaty residence: AlphaTech Inc. is resident in the United States and eligible for treaty benefits. Satisfied.
- Temporary importation: raw materials are owned by the Principal, imported under IMMEX and returned abroad. Satisfied.
- Machinery threshold: at least 30% of the machinery must be owned by the Principal and not previously owned by the maquiladora or a related party. With 60%, the threshold is met.
- Exclusivity of income: all productive revenue stems from the maquila operation. Satisfied.
- Transfer pricing compliance under Article 182; i.e., Safe Harbor. Required, see following slide.

■ Effect

- The Principal's personnel performing oversight, quality control and logistics does not, by itself, create a permanent establishment; the manufacturing **profit** is taxed solely in the hands of the maquiladora.



Article 182 MITL - Safe Harbor and resulting tax effects (Mexico – case study)

■ Safe Harbor computation

- Article 182 requires the maquiladora to report annual taxable profit equal to the greater of: (i) 6.9% of the total value of the assets used in the maquila operation, including assets owned by the Principal; or (ii) 6.5% of the total operating costs and expenses incurred in the operation.

■ Illustrative figures (for example only)

- Assets used in the operation: MXN 500,000,000, of which MXN 300,000,000 are owned by AlphaTech Inc. Asset-based profit: 6.9% = MXN 34,500,000.
- Operating costs and expenses: MXN 600,000,000. Cost-based profit: 6.5% = MXN 39,000,000.
- Taxable profit reported: MXN 39,000,000 (the greater of the two). Corporate income tax at 30%: MXN 11,700,000.

■ Consequences and compliance

- The Safe Harbor satisfies the maquiladora's transfer pricing obligations and, with Article 181, shields AlphaTech Inc. from permanent establishment exposure.
- An annual informative return of the maquila operation must be filed; non-compliance forfeits the protection and attributes profits to a permanent establishment of the principal.
- Currently, the advance pricing agreement alternative is no longer available for maquila operations, leaving the Safe Harbor as the sole mechanism.



Mexico: Inbound Tax Considerations

Current Administration is focused on attracting foreign direct investments while promoting Mexico as a nearshoring jurisdiction.

In 2024, the Regional Economic Development and Nearshoring Advisory Council (*Consejo Asesor de Desarrollo Económico Regional y de Relocalización*) was created to promote and implement the Mexican Nearshoring National Strategy.

As part of the efforts to promote, among others, the nearshoring in Mexico, *Plan México* was created by President Sheinbaum in 2025.

Further to *Plan México*, in order to develop certain regions within Mexican territory, President Sheinbaum has also been creating what is known as Development Poles (*Polos de Desarrollo*), which, generally speaking, replicate *Plan México's* tax incentives.



Plan México

Long term comprehensive regional development plan to, among others, attract foreign direct investments into Mexico, through the following:

- Promote Mexico as a nearshoring jurisdiction.
- Increase national and regional content, while promoting import substitution.
- Relaunch the “Made in Mexico” (“*Hecho en México*”) initiative.
- Create well-paid jobs in the manufacturing and services sectors.
- Increase higher value-added local sourcing.
- Promote development and prosperity hubs based on regional strengths and competitive advantages.
- Expand access to upper-secondary and higher education and strengthen its alignment with the national development strategy.
- Strengthen scientific and technological development, as well as innovation.
- Promote greater continental integration.



Plan México

As part of *Plan México*, the government issued the following tax incentives:

- Accelerated depreciation in new fixed assets bought between January 22nd 2025 and September 30th, 2030.
- Such deduction shall be based on specific percentages depending on specific fixed asset or the activity for which assets will be used; for instance:
 - **Power:** up to 56% for the 2025-2026 period and up to 49% for the 2027-2030 period, in equipment for generation, conduction, transformation and distribution of electric power.
 - **Hydrocarbons:** up to 72% for the 2025-2026 period, and up to 67% for the 2027-2030 period, for fixed assets in hydrocarbons transportation, storage and processing; drilling rigs and oil processing and storage floating vessels
 - **Construction (generally):** up to 86% for the 2025-2026 period, and up to 83% for the 2027-2030 period
 - **Railways:** between 41% and 72% for the 2025-2026 period, and between 35% and 67% for the 2027-2030 period, for rolling stock, rails, maintenance machinery and equipment, fuel pumps and communication equipment
Electromobility: up to a 86% for the 2025-2026 period, and up to a 83% for the 2027-2030 period, in the assembly-manufacturing of EV and hybrid vehicles



Plan México

- For FYs 2025, 2026, 2027, 2028, 2029 and 2030, additional deduction equivalent to the 25% of the increase in expenses aimed at technical or scientific training for each worker that relates to the taxpayer's activity.
- Such additional 25% deduction is also applicable to expenses derived from innovation projects, as such term is defined in the relevant decree.



India “friend-shoring” initiatives: China + 1

- Concerted fiscal efforts to attract supply chain investments in manufacturing at federal and state levels
- Production Linked Incentive (PLI) – has witnessed sectoral successes in electronics, automobiles and mobile phones
- New focus areas – semi-conductors, rare earth metals, clean tech components
- Customs incentives for SEZs selling into the domestic market
- Tax holiday for foreign players leasing equipment to Indian lessees from royalty tax
- Expansion of trade agreements; customs facilitation initiatives like deferral of import duties under Manufacture and Other Operations in Warehouse Regulations (MOOWR) scheme
- Reduction of tariffs on raw materials used in manufacturing



India manufacturing: key Inbound considerations

- Transfer pricing design is the key piece – litigation being rife
- Start-up phase losses and capacity utilization related challenges
- Intra-group services – justification, allocation keys, higher standard of proof – court decisions have favored taxpayers
- Royalty payments for intangibles – aggregation versus stand-alone testing; ex-ante versus ex-post; enhancement of royalties attracts closer audits
- Thin capitalization rules and capital structure optimization
- Risks associated with secondment of personnel – Permanent Establishment and Goods and Services Tax
- Litigation on Marketing Intangibles – use of Bright Line Test



ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION
IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

Intangibles & R&D: transfer pricing policy design and inbound tax considerations





Location of R&D Services and IP — General Considerations

Availability of R&D Credits and Other Tax Benefits

- Consider available benefits for conducting R&D and holding IP in a particular jurisdiction

DEMPE Considerations

- Consider whether necessary resources are readily available in the jurisdiction (e.g., skilled workforce)
- Tax authorities are focused on functions and risks
- Important to keep clear documentation

Intercompany Pricing

- Related-party charges must be arm's length
- Cost sharing should follow anticipated benefits

Intercompany Agreements

- Contracts and conduct must align



Location of R&D Services and IP — U.S. Income Tax Overview

R&D Performed in the U.S.

- **Deduction timing:** R&D expenses are generally immediately deductible under IRC sec. 174 A
- **Research credits:** qualified domestic research mat generate credits under IRC sec. 41
- **Foreign-derived deduction eligible income (“FDDEI”) considerations:** if IP is held domestically by a U.S. C-corporation, foreign-derived export revenues qualify for a 33.34% IRC sec. 250 deduction, yielding a 14% effective tax rate

Parent Co.
(U.S.)

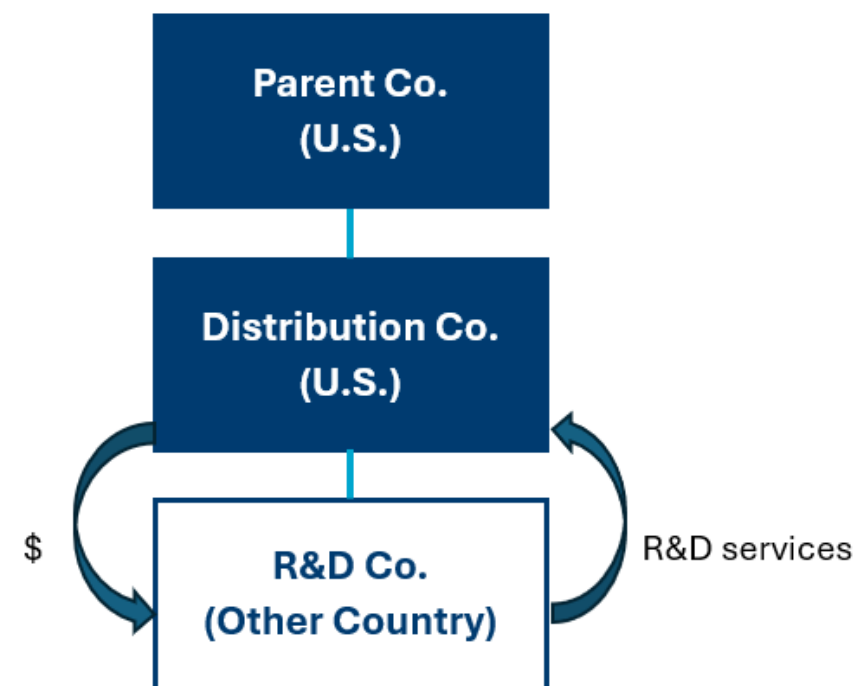
R&D &
Distribution Co.
(U.S.)



Location of R&D Services and IP — U.S. Income Tax Overview

R&D Performed outside the U.S.

- **Amortization:** Foreign R&D must be capitalized and amortized over 15 years, beginning at the midpoint of the year under IRC sec. 174
- **Research credits:** research outside the U.S. (including Puerto Rico and other U.S. territories) does not qualify for the credit under IRC sec. 41; consider whether other jurisdiction offers credit
- **Net CFC tested income (“NCTI”) considerations:** if IP is held in a CFC off-shore, effective U.S. tax rate on foreign income is 12.6%; old GILTI rules were more forgiving





Germany: DEMPE approach, and the Relocation of IP & R&D Functions

- Main principles of the DEMPE approach have become legally applicable from a German perspective.
 - Tax auditors however have little formal guidance on how to examine the DEMPE approach.
 - It can be observed that the German competent authority tends to agree on APA terms and conditions reflecting the DEMPE approach when R&D functions are relevant.
- In Germany, several tax court cases decided in recent years on the transfer of IP and (R&D) functions (TP business restructuring):
 - Federal Tax Court on the transfer of IP (a single customer relationships) and the activities related therewith decided against the assumption of a transfer of functions
 - Tax Court of Lower Saxony on the re-allocation of production capacity decided against the assumption of a transfer of functions
 - Tax Court of Lower Saxony on the change from a licensed manufacturer-based remuneration to contract R&D/contract manufacturer/LRD-based remuneration decided against the assumption of a transfer of functions
 - Tax Court of Cologne on the new establishment of R&D functions i.a. at its US subsidiary against the assumption of a transfer of functions
 - ➔ It is worth going to German tax courts



India: Rise of Global Capability and Data Centers

- Long term sustainable trend; upward movement in value chain from BPOs to GCCs
- Captive centers; Transfer pricing dispute on cost plus margins; new safe harbor
- Tax and TP planning around setting up of GCCs
- Addressing Permanent Establishment risks arising from Supreme Court decision of Hyatt International
- Profit repatriation considerations and strategies: use of DTAAs
- Inter-company arrangement and Goods and Services Tax
- Implications of new legislative initiative for data centers – no tax on foreign entities using Indian cloud computing services



ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION
IBA 2026 COPENHAGEN
4-9 OCTOBER



OFFICIAL CORPORATE
SUPPORTERS

Harvey



SCANDINAVIAN TRUST
CORPORATE MANAGEMENT SERVICES

Tax challenges arising from manufacturing footprint and R&D reorganizations



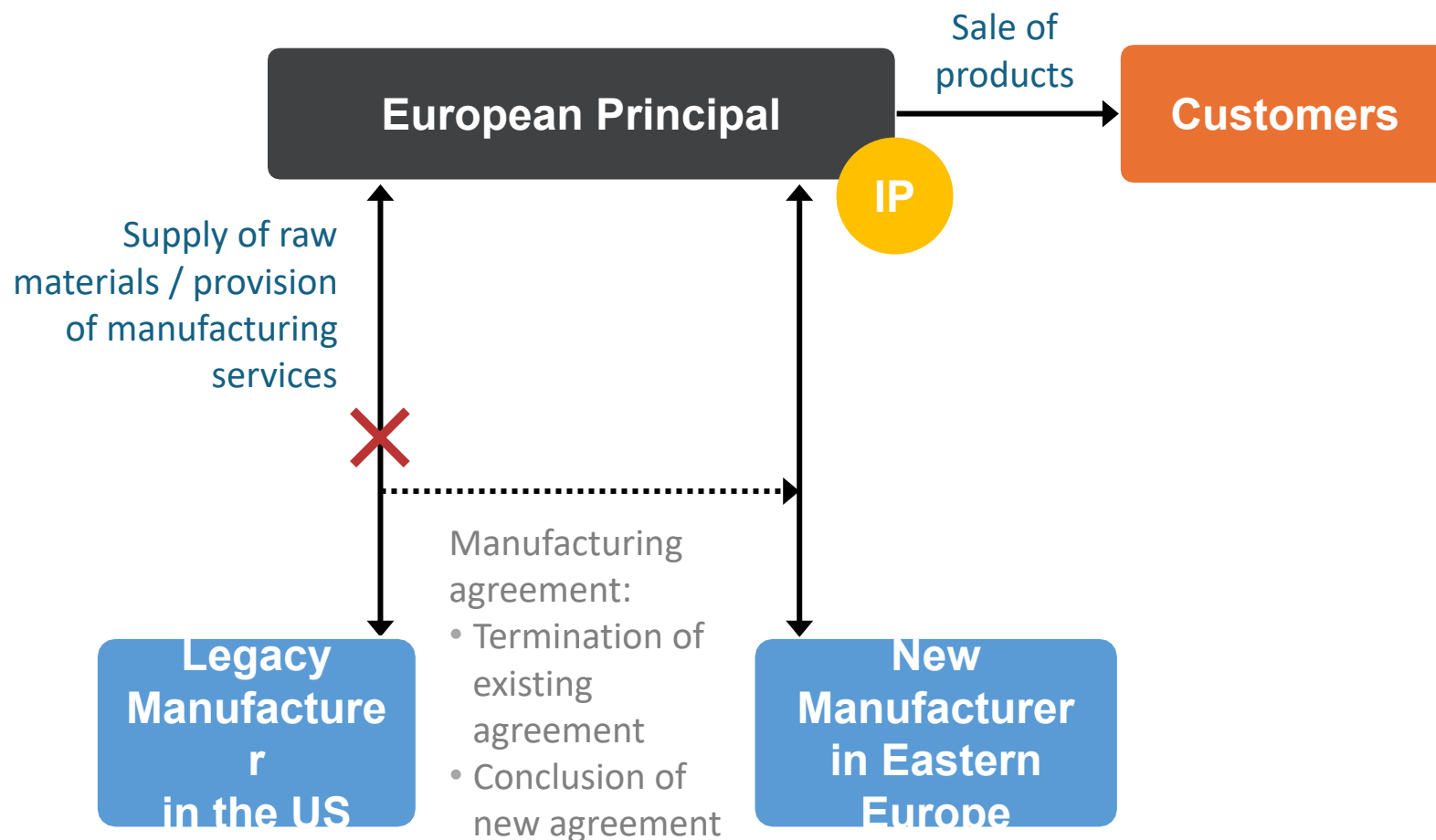


Nearshoring Manufacturing Activities – TP Aspects

- **Exit Taxes:**
 - Shifting functions, technical equipment, or IP from legacy manufacturing site to new manufacturing sites can trigger exit taxes that outweigh initial operational savings.
 - TP system for legacy manufacturing sites, term of existing manufacturing agreement and existence of any valuable IP at the legacy manufacturing site is to be considered.
- **Transfer of Valuable IP, if any:**
 - Sale vs. Licensing of any valuable IP
 - Concentration of valuable IP typically at the Principal
- **TP Method:**
 - Contract manufacturers and toll manufacturer typically rely on the cost-plus method or transactional net margin method with a mark-up on full costs as profit level indicator (in the absence of any valuable IP at the new manufacturing site).
- **Obtaining tax certainty** through MAPs and APAs



Manufacturing Nearshoring Case #1

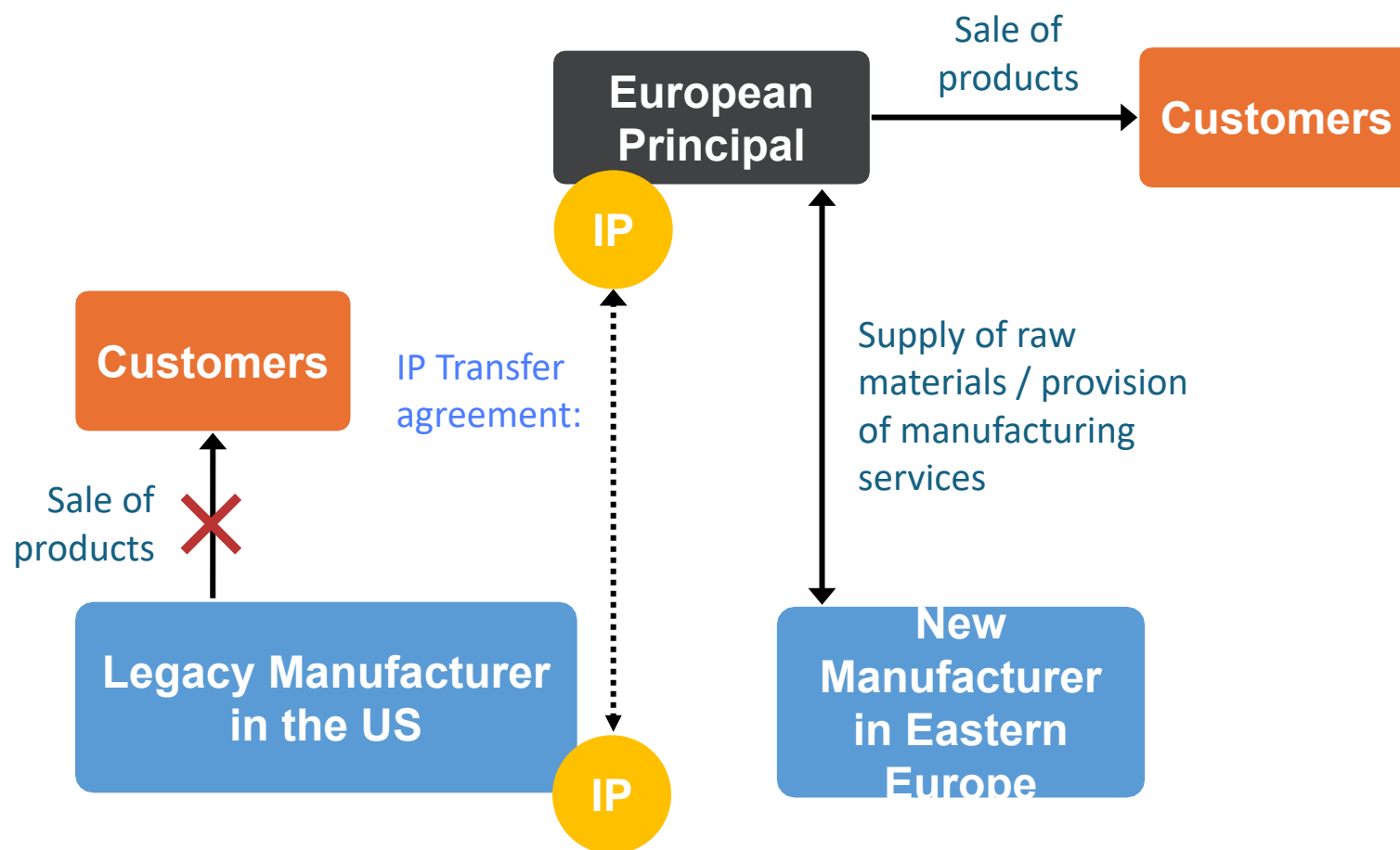


Replacement of existing **toll manufacturing** services by new toll manufacturing services:

1. Legacy Manufacturer's entitlement for indemnification if terminated in due course?
2. No transfer of IP that remains with Principal
3. Cost-oriented TP method with raw materials made available free of any charges



Manufacturing Nearshoring Case #2



Transfer of IP (customer relationship) from **legacy fully-fledged manufacturer** to Principal:

1. Determination of IP purchase price: commensurate with income
2. IP Valuation: Price adjustment if ex-post outcomes > ex-ante outcome?
3. Further tax implications (e.g. depreciation period, mandatory disclosure rules)

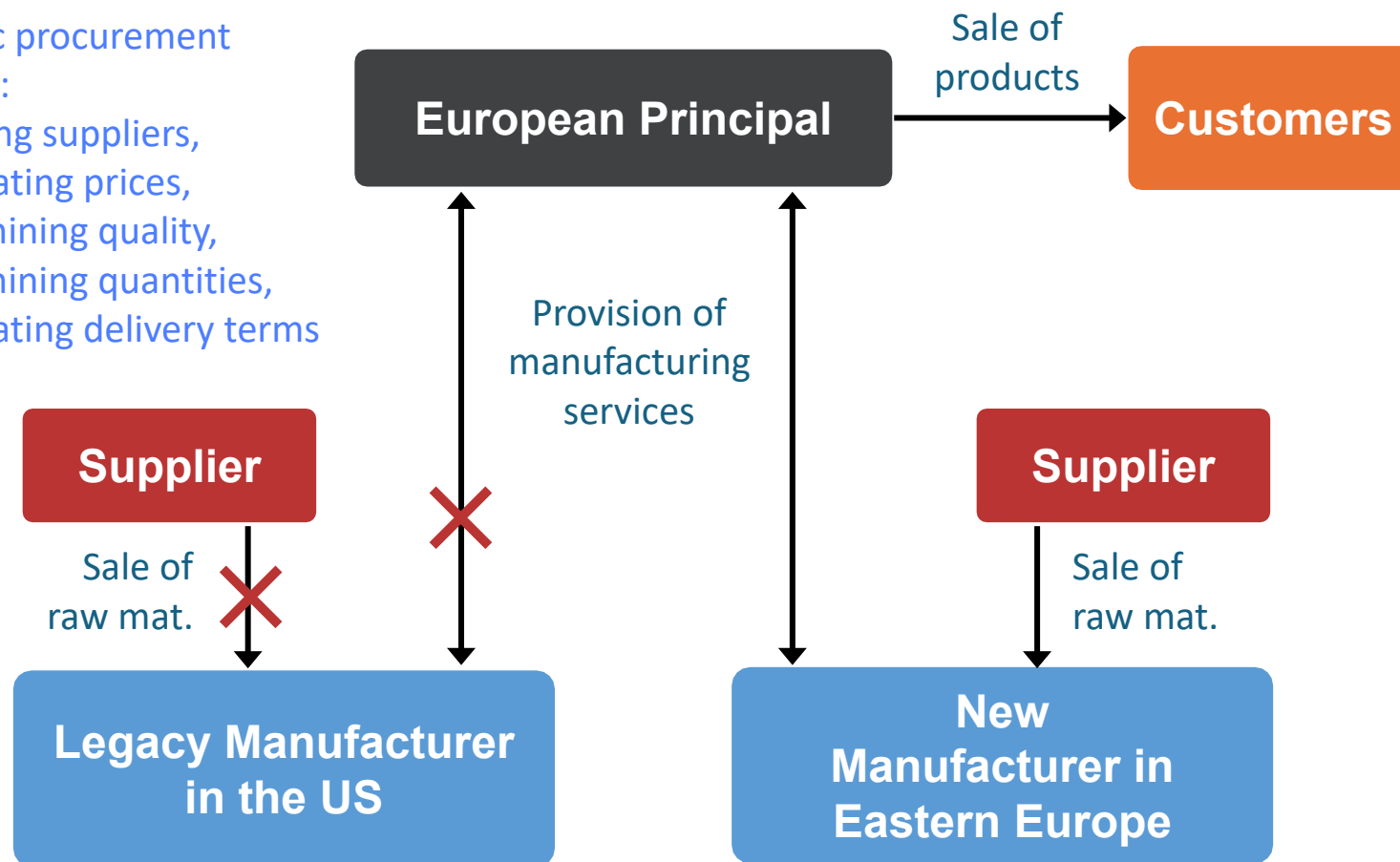


Manufacturing Nearshoring Case #3



Strategic procurement
function:

- selecting suppliers,
- negotiating prices,
- determining quality,
- determining quantities,
- negotiating delivery terms

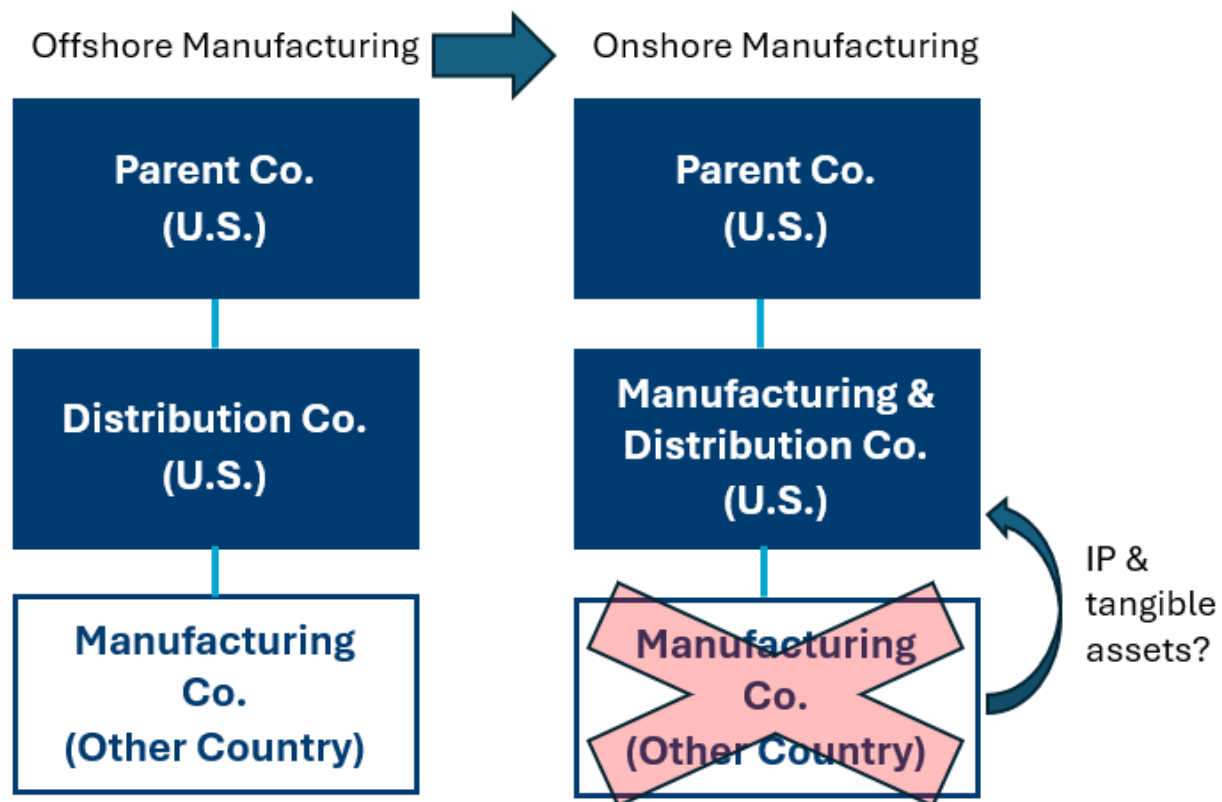


New **contract manufacturing** directly sources raw materials from 3rd supplier:

1. Cost-oriented TP method?
2. Inclusion of raw material costs into the cost base, i.e. profit mark-up on the raw materials?
3. Level of profit mark-up?



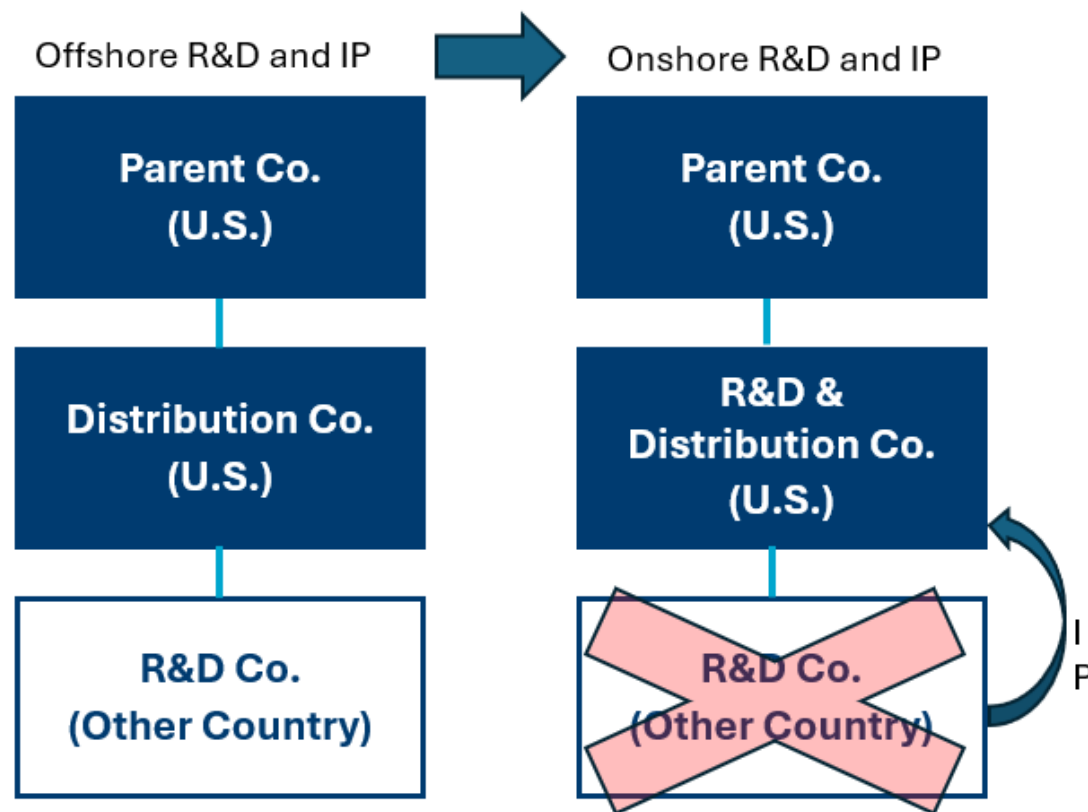
Onshoring Manufacturing to the U.S. – Selected Considerations



- Current intercompany agreement terms (e.g., notice provisions)
- What is being transferred?
- Sale v. license of IP, etc.
- Arm's length compensation
- Non-U.S. exit tax?
- Benefits of FDDEI after onshoring
- Reduced exposure to NCTI
- FTC considerations
- IRC sec. 367(d) treatment of any repatriated IP
- New intercompany agreements
- Ability to mitigate tariff costs



Onshoring R&D and IP to the U.S. – Selected Considerations



- Current intercompany agreement terms (e.g., notice provisions)
- What is being transferred?
- Sale v. license of IP, etc.
- Arm's length compensation – HTVI, including U.S. periodic adjustment rule (e.g., Facebook case)
- Non-U.S. exit tax?
- Benefits of FDDEI after onshoring
- Reduced exposure to NCTI
- Availability of R&D tax credits
- FTC considerations
- IRC sec. 367(d) treatment of any repatriated IP
- New intercompany agreements
- Ability to mitigate tariff costs



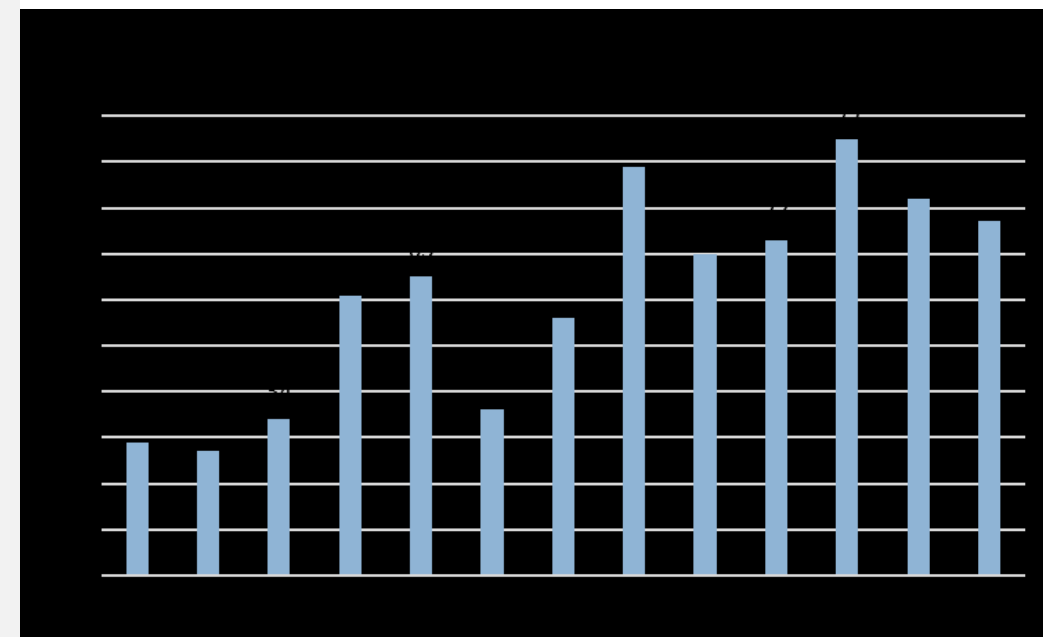
Tax certainty – MAPs and APAs





European Union incl. Germany – Results and Trends

- In the EU, data shows increased **MAP** case filings and strong closure rates. So far, EU Member States are still prioritizing dispute resolution (MAPs) over dispute prevention (APAs) in TP cases
- All **EU Member States** have **APA** programme in place:
 - Number of bi-/multilateral APAs in force at the end of 2024 with other EU Member States = 202
 - Number of bi-/multilateral APAs in force at the end of 2024 with other Non-EU Member States = 169
 - Significant increase in APAs in force in 2024 by 50 APAs (ca. 13%), mainly with other EU MS, as compared to 2023
- **Germany** continues efforts to build trust with **APAs**
 - Newly started cases witnessed a 2.5X increase since 2012
 - Continuation in diversity of treaty partner countries with ca. 50% with EU and Non-EU Member states
 - Significant improvement in processing time expected for 2025





India

- History of tax uncertainties arising from legislative and executive actions
- Recent decision of Supreme Court in Tiger Global – an outlier upending settled principles on anti-avoidance and treaty entitlement principles
- Hyatt International ruling of the Supreme Court on PE - out of sync with globally accepted parameters – pervasive control considered determinative of disposal
- Trend of reduction of TP controversies
- Impressive rise of APAs and MAPs for transfer pricing disputes with all major trading partners – rise of bilateral APAs
- New rules to prevent tax authorities from appealing before higher courts



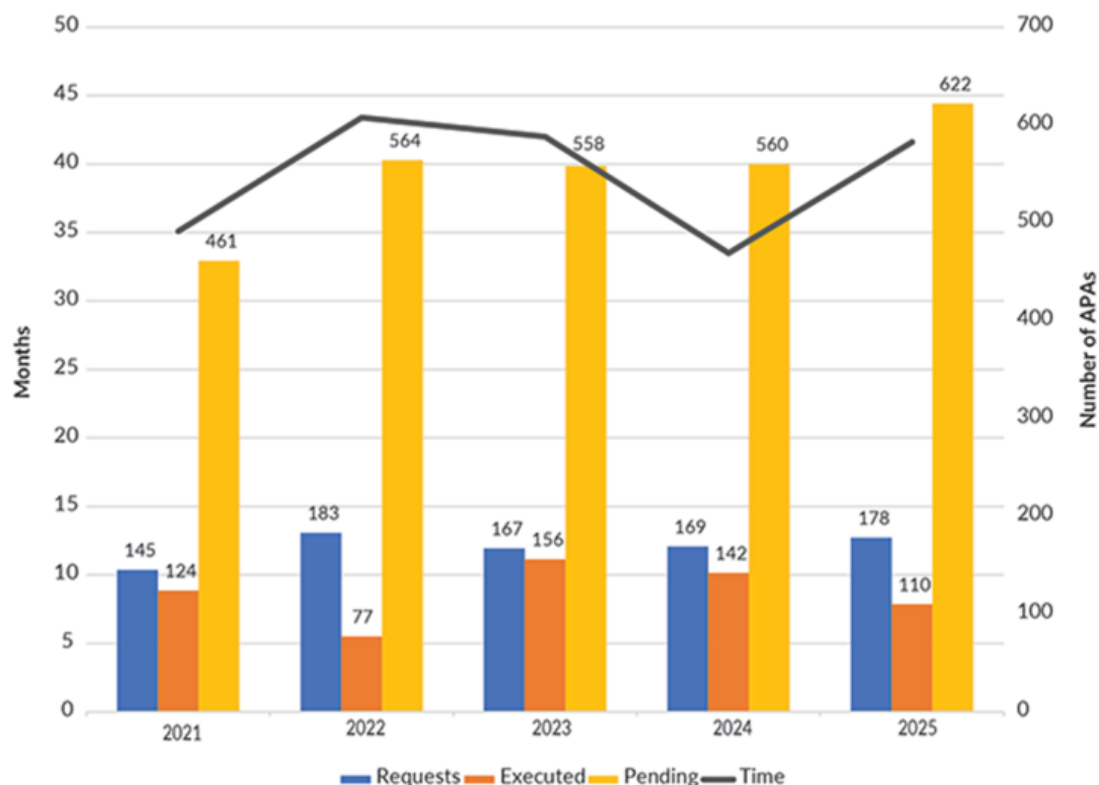
Mexico

- Tax authorities' formal approach (form over substance) and assertiveness while performing audits.
- Tax uncertainty given political context (Judicial branch elections, USMCA discussions, domestic issues).
- Significant decrease of non-TP MAPs cases, given CA's current position.



U.S. APA Program – 2025 Results and 2026 Objectives

Figure 1. Unilateral and Bilateral APA Statistics



See Richard L. Slowinski, Stefanie E. Kavanagh, and Bryan Womack, "IRS's APMA Program in 2025: Resiliency During a Difficult Year" Tax Notes Int'l, June 1, 2026,

- 2025 was an unsurprisingly difficult year for IRS APMA due to DOGE-related staffing cuts and record-long government shutdown
- Significantly fewer APAs executed in 2025 coupled with significantly longer processing times
- Taxpayer demand for APAs is still strong, with 2025 applications representing the third-highest level in history
- IRS APMA objectives:
 - Put "advance" back into the Advance Pricing Agreement program; need prospectivity
 - APAs should have a specified TPM
 - To accomplish these objectives, IRS APMA may preclude admission to the APA program for certain taxpayers unless changes are made