From entity X in country A to entity Y in coun

		country A division X	country B division Y		
	CIT rate		40%	10%	
	COS for division X		300	600	Selling pric
TP					
scenario a:		550			
scenario b:		350			
	Profit margin		250	50	
	CIT		100	5	
	Total CIT			**105**	
	Effective CIT			35%	scenario a
			83%	17%	profit split
	Profit margin		50	250	
	CIT		20	25	
	Total CIT			**45**	
	Effective CIT			15%	scenario b
			17%	83%	profit split

Tax saving in case of shift in TP from 550 to 350 is:

ıtry B

businesses are evalu

15. What is the change in co
resident in country A wit
distributor, which is a gr

e for division Y

195	EAT scenario a

manufacturer in country
respectively?
a) The consolidated pro
b) The consolidated pro
c) The consolidated pr
15%.
d) The consolidated pro

255	EAT scenario b

133%

ated for profit and loss.
nsolidated profit and overall tax rate paid by MNC if a manufacturer, which is a
h CIT of 40%, changes its selling unit price for finished product for an associated
oup company resident in country B with CIT of 10%, from 550 to 350. Cost of a

A and selling price of an associated distributor in country B are 300 and 600

fit remains 200, but the overall tax rate increases from 15% to 35%.
fit changes from 195 to 255 and the overall tax rate increases from 15% to 35%.
ofit changes from 195 to 255 and the overall tax rate decreases from 35% to

len

fit remains 200, but the overall tax rate decreases from 35% to 15%.

When stock is acquired/produced in country with high tax burden but sold in country with low tax burd en then TP which helps to minimize tax CIT expense will be close to COS of such stock