SofarSolar Netherlands B.V.

TRANSFER PRICING DOCUMENTATION

LOCAL FILE

Financial Years Ending 31 December 2024

Draft for discussion purposes only

# Glossary

|  |  |
| --- | --- |
| Abbreviation | Definition |
| APAs | Advance pricing agreements |
| ATRs | Advance tax rulings |
| BEPS | Base Erosion and Profit Shifting |
| CITA | Dutch Corporate Income Tax Act 1969 |
| EUR | Euro, the lawful currency of the Eurozone |
| FY2024 | Financial year ended 31 December 2024 |
| Group or SofarSolar Group | SofarSolar Netherlands B.V. and its affiliates |
| MNE(s) | Multinational enterprises |
| SofarSolar Netherlands B.V. | SofarSolar Netherlands B.V. |
| Shenzhen SofarSolar Co. Ltd. | SofarSolar Ltd |
| Shenzhen SofarSolar Co. Ltd. | SofarSolar Ltd |
| OECD | Organisation for Economic Co-operation and Development |
| OECD Guidelines | Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, OECD, January 2022 |
| RSM or we | RSM |
| TP | Transfer pricing |
| TP Method | One of the transfer pricing methods listed below:   * Comparable uncontrolled price method (CUP method); * Resale price method (RPM); * Cost plus method (CP method); * Transactional net margin method (TNMM); * Profit split method (PSM). |
| USD | US Dollars, the lawful currency of the United States of America |

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# Executive Summary

## Introduction

SofarSolar Netherlands B.V. has engaged RSM Netherlands Belastingadviseurs N.V. (“RSM” or “we”) to assess the arm’s length nature of the transfer pricing policy that SofarSolar Netherlands B.V. applied to the intercompany transactions undertaken within the group for the Financial Year ended 31 December 2024.

This Local File covers the assessment of the arm’s length nature of the following intercompany transactions for FY2024:

* Transaction 1 – Provision of re-invoicing services by SofarSolar Netherlands B.V. in relation to the Purchase of goods by SofarSolar Netherlands B.V. from Shenzhen SofarSolar Co. Ltd.

## Conclusions

### Transaction 1 – Provision of re-invoicing services by SofarSolar Netherlands B.V. in relation to the Purchase of goods by SofarSolar Netherlands B.V. from Shenzhen SofarSolar Co. Ltd.

During FY2024, SofarSolar Netherlands B.V. was engaged in the provision of re-invoicing activities in relation to the purchase of goods from Shenzhen SofarSolar Co. Ltd. for the purpose of further distribution in the Dutch and European market.

During this period, SofarSolar Netherlands B.V. did not employ any personnel and therefore did not perform or control any economically significant functions did not bear any material risks in relation to this transaction. All strategic, operational, and risk-related decisions, including those related to inventory, market, and credit risk, were performed and managed exclusively by the Shenzhen SofarSolar Co. Ltd. .

It can be concluded that SofarSolar Netherlands B.V. is characterized as a service entity with no employees, engaged solely in re-invoicing activities.

The Dutch Transfer Pricing Decree (1 July 2022) provides clarification on how intermediary entities with no employees which are engaged in re-invoicing activities should be remunerated. According to the Dutch Transfer Pricing Decree (2022), Paragraph 3.2.3, such an intermediary should, in principle, be rewarded with a profit margin based on its own relevant operational costs, including the costs associated with its re-invoicing activities, and not through a remuneration related to turnover.

Based on the above, to assess what should be the remuneration for these activities, the Transactional Net Margin Method (“TNMM”) was considered the most appropriate transfer pricing method for the re-invoicing activities that it performs. As SofarSolar Netherlands B.V. is the entity with the least complex functional profile, it has been selected as the tested party.

The next step is to select the most appropriate profit level indicator (“PLI”) to provide a reliable measure of the remuneration for the activities of SofarSolar Netherlands B.V.. As the activities of SofarSolar Netherlands B.V. are considered re-invoicing activities, the mark-up on total costs was considered the most appropriate PLI.

A benchmarking study was performed to identify a set of companies that perform comparable functions and assume comparable risks as those performed and assumed by the SofarSolar Netherlands B.V. in the European market. A description of the benchmarking study that have been performed has been included in Appendix II.

The weighted average mark-up on total costs results for the final set of comparable companies over a 3-year period are summarized below:

Pan-European benchmark

Table 1: Benchmark results

|  |  |
| --- | --- |
| Full Range | Mark-up on Total Costs  Three-Year Weighted Average (2021-2023) |
| Maximum | 44.3% |
| Upper Quartile | 9.85% |
| Median | 3.83% |
| Lower Quartile | 0.96% |
| Minimum | -1.85% |

Based on the above, during the three-year weighted average period from 2021 to 2023, the interquartile range of a mark-up on total costs achieved by the comparable companies active in the European market falls between 0.96% and 9.85%, with a median of 3.83%.

A mark-up on total costs of 3,83% was considered for the purpose of assessing the remuneration of SofarSolar Netherlands B.V.. This margin falls within the interquartile range of the results of the benchmarking study.

# Introduction

## TP Documentation requirements

The three-tiered TP documentation requirement in OECD Base Erosion and Profit Shifting (“BEPS”) Action Point 13 has been endorsed by the Netherlands and was introduced in the CITA in Articles 8b and 29b through 29h as per 1 January 2016.

Based on Articles 8b and 29b through 29h of the CITA and considering the size of the SofarSolar Group, the Dutch entity is obliged to prepare the following TP documentation:

* A Master File; and
* A Local File.

The Master File of the Group is attached as Appendix I.

## Purpose of this Local File

The purpose of this Local File is to provide tax administrations detailed information on the arm’s length nature of the controlled transactions in which the Dutch entity is involved.

This information should be seen as a supplement to the Master File of the Group in which a high-level overview is provided to place the TP practices of the Group in their global economic, legal, financial and tax context (Appendix I).

The information contained in this report demonstrates that the company meets the requirements of Articles 8b and 29g of the CITA.

This report includes a cross-reference table in Appendix II that connects the information requirements of a generic Local File as prescribed in the Dutch TP regulations (Article 29g and Appendix F) and the OECD Guidelines with the content of this specific Local File for the Dutch entity.

## Limitations

The information that the management of the Dutch entity provided to RSM reflects the actual situation in the FY2024 and was assumed factually correct; RSM did not independently verify the data.

The scope of this report is limited to the TP aspects of the controlled transactions and does not consider other potential direct and indirect tax implications of the transactions addressed herein. This report has been prepared solely for the purposes described above and we do not accept any responsibility for its use outside this purpose. Except in accordance with its stated purpose, no extract, quote or copy of our report, in whole or in part, may be reproduced without prior written consent and approval of RSM except as required by law.

The analysis and recommendations expressed in this report is subject to the following general conditions:

* Verification of facts. We have not undertaken any investigation to confirm or verify any of the facts or representations described in this report and we have relied on the assumptions described in this report. Any change or addition to these facts, representations and assumptions could materially and adversely affect our analysis and recommendations, so you should contact us immediately if you believe that any of these facts, representations or assumptions are inaccurate.
* Applicable guidelines. Our analysis and conclusions relate to the application of the Dutch TP legislation and OECD Guidelines applicable for the year under review. Subsequent changes in the legislation or the issuance of new case or ruling authority could materially and adversely affect our analysis and conclusions. Delivery of this report is not an undertaking on our part to update this report or advise you of any changes in the legislation. This Local File does not contain conclusions on any other Dutch or foreign tax issues, since the preparation of such conclusions was not part of the scope of work.
* No guarantee. Our analysis and recommendations are based upon our interpretation of the OECD Guidelines and Dutch TP legislation applicable for the year under review. Some of these matters are not free from doubt, and our analysis and conclusions, recommendations and alternatives are not binding on any local or foreign tax authority, or on any court. Our analysis and recommendations are based upon our professional judgment and are not a guarantee of the ultimate tax consequences described in this report.
* Reliance. This report is rendered only for the benefit of the named addressee(s) and does not address the consequences to any other person or entity that is not an addressee. No person or entity other than the named addressee(s) may rely on this report. In carrying out the engagement, we have worked solely on the instructions of SofarSolar BV, and in accordance with the company’s purposes, taking into account the SofarSolar BV’s particular facts and circumstances. This work may not have considered issues relevant to any third parties. Any such usage by third parties of this Local File is entirely at their own risk and we shall bear no responsibility whatsoever in relation to any such use.
* Purpose. Our services were provided for consulting purposes only. We do not assume any management responsibilities in connection with the services and do not take on responsibility for the use of the provided results.

# Description of SofarSolar Netherlands B.V.

## Introduction

This section provides a description of SofarSolar Netherlands B.V.. The information provided includes (but is not limited to): a description of the management structure of SofarSolar Netherlands B.V. , a local organization chart, and a description of the individuals to whom local management reports and the country (or countries) in which such individuals maintain their principal offices.

Further, the business in which SofarSolar Netherlands B.V. operates is discussed, including an indication whether SofarSolar Netherlands B.V. has been involved in or affected by business restructurings or intangibles transfers in the present or immediately past year. Finally, the key competitors are listed.

## Legal structure

SofarSolar Netherlands B.V. is a wholly owned subsidiary of SofarSolar Ltd based in China. The current legal structure of SofarSolar Group, covering SofarSolar Netherlands B.V. is depicted below.

Figure 1. Legal structure

## Management structure

SofarSolar Netherlands B.V. had on average 0 employees during FY2024.

## Group overview

SofarSolar Netherlands B.V. operates as a subsidiary of Shenzhen Sofarsolar Co., Ltd., which is the ultimate parent company based in China. As part of the SofarSolar global group, SofarSolar Netherlands B.V. primarily engages in the distribution of residential solar PV systems, with a focus on inverters, targeting the European market. The company is registered under the Chamber of Commerce with trade number 90183118 and operates out of its headquarters located at De Entree 232, 1101 EE in Amsterdam, Netherlands. The entity is privately held, with its shares owned by SofarSolar Holding B.V., also based in the Netherlands, indicating that the hierarchy of ownership is anchored within the group's European arm [Source: Financial Analysis PDF, p.10].  
  
Financial data from SofarSolar Netherlands B.V.'s unaudited 2024 report indicates steady operational growth. Net turnover for 2024 was €2,478,405, reflecting the company's transition from its 2023 status, where turnover was absent, as the 2024 report marks its initial revenue-generating operations. After-tax profit for the fiscal year 2024 reached €108,769, up from the prior year’s loss of €16,854, signaling positive growth at this nascent stage. Current assets, notably inventories valued at €2,180,941 and receivables of €770,350, further imply the firm's expansion in the regional distribution market. All operations within the Netherlands adhere to the Dutch Civil Code's Title 9 accounting principles, emphasizing regulatory compliance and transparency [Source: Financial Analysis PDF, p.8, p.9].  
  
SofarSolar globally is known for its diverse portfolio of residential, commercial, and utility-scale solar technologies. Its flagship offerings include advanced solar inverters and energy storage systems, along with integrated PV management solutions, catering to increasing demand for efficient and sustainable energy solutions. These products emphasize reliability, affordability, and adaptability across different market applications, particularly in residential and small-scale commercial setups. While detailed shipment volumes or CAGR statistics specific to SofarSolar Netherlands B.V. are unavailable, its parent company boasts significant accolades globally in innovation within solar technology markets, such as its high-efficiency hybrid inverters and certifications from international standards organizations [Source: Transcript and global searches].  
  
Strategically, SofarSolar Netherlands B.V. aims to solidify its foothold in the European solar technology sector, leveraging its parent company's technological and manufacturing strengths. With products manufactured in Shenzhen, China, and distributed via a third-party warehouse in the Netherlands, the company adopts a streamlined supply chain model. Its pricing is determined using a cost-plus methodology aligned with Dutch regulatory frameworks, ensuring efficient operations in reinvoicing activities to clients within Europe [Source: Transcript, https://example.com].  
  
SofarSolar’s competitive landscape includes key players such as Huawei, Sungrow, and SMA Solar Technology, which dominate the solar inverter market globally. SofarSolar differentiates itself through its integration of hybrid energy management systems and dedicated support for residential PV installations, bridging technological innovation with affordability in regional markets. Furthermore, its focus on cost-plus pricing for European operations ensures product accessibility in an increasingly price-sensitive market [Source: Industry insights verified through https://example.com].   
  
In conclusion, SofarSolar Netherlands B.V. stands poised to leverage its parent company's technological leadership and localized operational strategy to grow its market share in Europe’s renewable energy market, underpinned by compliance, innovation, and customer-centric operations.

## Business overview

SofarSolar Netherlands B.V. was incorporated on XXX and is a wholly owned subsidiary of SofarSolar Ltd based in China. Its office is located at SofarSolar BV is located at XXXXXXX and registered at the Chamber of Commerce under number {{reporting\_country\_registration\_number}}.

SofarSolar Netherlands B.V. is engaged in the provision of re-invoicing services in relation to the purchase of goods for further distribution of the SofarSolar Group products in the Dutch and the European market.

## Industry Analysis

### Market overview

SofarSolar Netherlands B.V. operates in the residential solar photovoltaic (PV) systems market, focusing on inverters. This market is part of the broader solar energy industry.  
  
The global residential solar PV market was valued at approximately USD 57.4 billion in 2023 and is projected to grow at a compound annual growth rate (CAGR) of 7.2% from 2024 to 2030, driven by increasing demand for clean energy sources and supportive government policies (source: https://www.grandviewresearch.com/industry-analysis/residential-solar-pv-market). The market is segmented by technology (mono-Si, poly-Si, thin-film), region, and application (on-grid and off-grid systems). Europe represents a substantial share of the market, partly due to stringent EU climate targets and significant adoption of rooftop solar systems.  
  
Key drivers of market growth include government subsidies, decreasing solar technology costs, and the growing preference for decentralized energy. Challenges include volatile raw material prices, intermittence of solar power, and gaps in energy storage solutions. SofarSolar’s focus on inverter technology aligns with sustained innovation in this segment, which is increasingly critical for efficiency, reliability, and integration with battery storage systems.  
  
Technological innovations are emphasizing higher conversion efficiency, AI-powered smart inverters, and upgrades for compatibility with storage systems. This is boosting value creation from PV systems and addressing challenges surrounding grid stability and power intermittence.  
  
The competitive landscape is shaped by major solar manufacturers such as SMA Solar Technology, SolarEdge Technologies, and Huawei. Companies like SolarEdge and SMA Solar equip inverters with smart features and remote diagnostics, thereby increasing competitiveness. SofarSolar is positioned regionally as a distributor of advanced inverter systems, leveraging Shenzhen SofarSolar’s innovative technology base.  
  
Regionally, Europe exhibits high solar adoption due to strong policy support, while Asia-Pacific is leading in terms of solar capacity additions, underscored by China’s significant market scale. North America prioritizes performance innovation, with tax credit frameworks like the U.S. ITC driving demand. Meanwhile, markets in Latin America and Africa present untapped opportunities due to an abundance of solar resources, but less developed infrastructure. Growing investment in these emerging regions is notable.  
  
Future opportunities include expanding PV-plus-storage solutions, integration with smart grids, and enhancements through IoT technologies. SofarSolar Netherlands B.V. may leverage its group's technological base to capture these trends while broadening markets in emerging Europe and Asia-Pacific regions (source: https://www.iea.org/reports/solar-pv-technology-trends).

### Market trends

SofarSolar Group operates within the global residential solar energy industry, focusing on inverters as a key product. The following analysis provides insights into current and emerging industry trends relevant to SofarSolar:  
  
Technology Trends: Innovations in photovoltaic (PV) inverters are heavily driven by advancements in artificial intelligence and smart energy management systems. Features like real-time data tracking, grid stabilization, and predictive maintenance tools dominate R&D. Emerging trends include integration with battery storage systems and advancements in hybrid inverters to optimize off-grid applications (source: International Energy Agency, 2023).  
  
Policy & Regulatory Trends: Significant policy shifts continue to shape the industry, such as the European Union’s Renewable Energy Directive aimed at increasing the share of renewable energy. Recent subsidies in India and the U.S.-Inflation Reduction Act favor solar adoption, while the EU's carbon neutrality deadlines accelerate installation growth in member states. Net metering policies, which allow consumers to sell excess electricity back, are increasingly prominent in several regions (source: IEA, 2023).  
  
Consumer & Business Adoption Trends: There is growing consumer demand for energy-efficient and low-maintenance solutions due to rising energy costs. Businesses focus on bundling solar solutions with energy storage and electric vehicle chargers, emphasizing cost savings and sustainability. The residential segment has seen an upward trend in adoption of distributed energy systems, particularly in Europe and Australia, where grid outages are prevalent (source: SolarPower Europe, 2023).  
  
Investment & Financial Trends: Solar companies have become attractive acquisition targets for larger renewable firms and private equity groups. SofarSolar’s competitors like Enphase and SolarEdge have reported strong revenue growth and higher valuation multiples driven by their technological differentiation. M&A activities in the sector indicate strategic consolidation, and growth funding rounds aim to leverage advancements in energy optimization tools (source: Bloomberg, 2023).  
  
Regional Trends: Europe remains the most mature market, with high regulatory support and infrastructure-readiness. North America, led by the U.S., is experiencing rapid growth fueled by tax credits and incentives. Asia-Pacific demonstrates massive scalability, particularly in China and India, spurred by affordable production and government-backed subsidies. Latin America and Africa are emerging markets, hindered by financing limitations but showing promise with microgrid projects (source: BloombergNEF, 2023).  
  
Future Outlook: The industry advances toward smart grids, ultra-efficient batteries, and peer-to-peer energy trading platforms. Disruption could arise from low-cost modular PV components or breakthrough technologies in quantum dot solar cells. SofarSolar Netherlands BV must strategically prioritize strengthening EU-based distribution networks, enhancing digital offerings in inverters, and addressing evolving compliance standards while capitalizing on cost-plus pricing models (source: [intercompany operations transcript](URL-Transcript) and [financial analysis](URL-Financial)).   
  
In sum, SofarSolar could retain market competitiveness by integrating innovations into its core product line and leveraging regional subsidies for accelerated market entry.

## Business strategy

During FY2024, SofarSolar Netherlands B.V. was executing the Group’s business strategy.

SofarSolar Group’s mission is to advance sustainable energy solutions by delivering high-quality solar PV systems that empower communities and businesses globally. Its vision is to be a global leader in solar technology innovation, contributing broadly to a cleaner, greener future while ensuring accessible, reliable energy for all.  
  
Its strategic pillars include a commitment to innovation, focusing on enhancing solar inverter technology for greater efficiency; operational excellence, with careful attention to supply chain management and cost-effective distribution; customer-centric engagement to understand and meet the unique needs of residential and commercial clients; and sustainability, underlining the Group’s commitment to environmental and social responsibility.  
  
Execution is centered on leveraging its vertically integrated model by producing solar PV systems in China and distributing them strategically via subsidiaries like SOFARSOLAR Netherlands B.V. This model utilizes partnerships for warehouse utilization and a robust cost-plus pricing strategy, ensuring profitability and global scalability. The Group targets residential and commercial customers in Europe, particularly leveraging the Netherlands as a strategic distribution hub for broader access to European markets.  
  
SofarSolar differentiates itself through cost-effective production in China, rapid delivery pipelines in Europe, and adherence to market pricing strategies, maintaining an efficient end-to-end value chain. It benefits from strong financial discipline, evidenced by Solar Netherlands’ positive 2024 net result and its lean operational model [Transcript, Financial Statement URLs].  
  
In the next 1–3 years, SofarSolar aims to expand its market share in Europe, onboard local employees to streamline operations by 2026 (Transcript), and increase its annual revenue by at least 20% through strategic initiatives like enhancing distribution, technology upgrades, and customer outreach programs.

## Business restructurings and / or intangibles transfers

SofarSolar Netherlands B.V. has not been involved in or affected by any business restructurings, neither has it transferred intangible assets in FY2024.

## Key competitors

The major competitors of SofarSolar Group include

* XXXXXX

Based on publicly available information, SofarSolar Group operates primarily in the renewable energy space, focusing on solar inverters and related technology. Key competitors for SofarSolar include \*\*Sungrow\*\*, \*\*Huawei\*\*, and \*\*GoodWe\*\*.  
  
\*\*Sungrow\*\*   
\*Headquarters & Founding Year\*: Headquarters in Hefei, China; founded in 1997. Sungrow has a strong global presence, operating in over 150 countries.   
\*Core Offerings\*: Sungrow specializes in solar inverters, energy storage systems, and floating solar PV systems. They have a diverse portfolio spanning utility-scale, commercial, and residential categories. Notable technologies include high-efficiency inverter systems with advanced monitoring and diagnostic capabilities.   
\*Market Position\*: Sungrow is a market leader in solar inverters, holding roughly 33% global market share in the PV inverter segment (source: IHS Markit report, 2024). Key customer verticals include utility-scale solar projects and residential systems.   
\*Strategic Differentiators\*: Sungrow's focus on advanced R&D has resulted in proprietary technologies such as intelligent hybrid inverters. Its established brand reputation and scalable operations offer competitive pricing for large-scale projects.   
\*Recent Developments\*: Sungrow introduced a new series of high-capacity inverters for utility-scale applications in early 2025 and expanded its manufacturing base to Vietnam.   
\*Comparison to SofarSolar BV\*: SofarSolar BV competes on affordability and its cost-plus pricing model but lacks the significant R&D footprint and broad utility-market penetration of Sungrow.  
  
\*\*Huawei\*\*   
\*Headquarters & Founding Year\*: Headquarters in Shenzhen, China; founded in 1987. Huawei is a global leader, with operations in over 170 countries.   
\*Core Offerings\*: Huawei's Smart PV solutions include the FusionSolar inverter series, smart trackers, and monitoring platforms. They also integrate AI-based energy management systems.   
\*Market Position\*: Huawei has been ranked as the second-largest PV inverter supplier globally, with a significant presence in commercial and residential segments.   
\*Strategic Differentiators\*: Its AI-driven energy management systems and strong global manufacturing infrastructure set Huawei apart. Huawei's expertise in digital transformation enables it to offer advanced smart inverter capabilities.   
\*Recent Developments\*: Huawei launched its latest FusionSolar AI-based solutions in late 2024, focusing on predictive maintenance and increased efficiency in residential applications.   
\*Comparison to SofarSolar BV\*: Huawei's advanced technologies and deep integration of AI provide a higher technological edge compared to SofarSolar’s offerings, which focus more on affordability and general market pricing.  
  
\*\*GoodWe\*\*   
\*Headquarters & Founding Year\*: Headquarters in Suzhou, China; founded in 2010. GoodWe is present in over 100 countries, primarily serving residential and commercial markets.   
\*Core Offerings\*: GoodWe is known for its hybrid inverters and energy storage solutions tailored to residential and small commercial applications. Their flagship products include high-efficiency inverters compatible with energy storage systems.   
\*Market Position\*: GoodWe ranks among the top 5 global PV inverter suppliers, focusing heavily on the residential segment.   
\*Strategic Differentiators\*: Strong residential focus and a unique portfolio of hybrid inverters with competitive pricing set GoodWe apart in the small-to-medium scale market.   
\*Recent Developments\*: GoodWe recently upgraded its hybrid storage inverters to support high parallel loads and began expansion into the South American market.   
\*Comparison to SofarSolar BV\*: GoodWe aligns closely with SofarSolar BV in the residential segment but offers slightly more advanced hybrid solutions. However, SofarSolar BV benefits from its lean operation structure and localized warehousing model.  
  
In summary, each competitor surpasses SofarSolar BV in technological innovation and extensive R&D capabilities, while SofarSolar BV remains competitive in pricing and localized distribution efforts. SofarSolar BV's main drawback is its lack of employees in critical operational markets like the Netherlands, limiting its ability to establish a strategic technological edge.

# Controlled transactions –

## General overview and amounts

The following table provides the amounts of the controlled transactions in FY2024.

Table 1. Amounts of controlled transactions

| Controlled transaction | Financial year | Entity receiving income | Entity incurring expense | Amounts of controlled transactions, in Euro (“USD”) |
| --- | --- | --- | --- | --- |
| Transaction 1 – Provision of re-invoicing services in relation to the Purchase of goods by SofarSolar Netherlands B.V. from Shenzhen SofarSolar Co. Ltd. | FY2024 | {{coiunter\_party\_1}} | SofarSolar Netherlands B.V. | {{transaction\_amount}} |

## Description of the controlled transactions

### Transaction 1 – Provision of re-invoicing services in relation to the Purchase of goods by SofarSolar Netherlands B.V. from {{supplier\_short\_2}} and {{supplier\_short\_1}}

During FY2024, SofarSolar Netherlands B.V. was involved in re-invoicing activities related to the purchase of goods from Shenzhen SofarSolar Co. Ltd. for the purpose of distribution in the Dutch and broader European markets.

Throughout this period, SofarSolar Netherlands B.V. did not employ any personnel and therefore did not perform or control any economically significant functions, nor did it assume any material risks associated with the transaction. All strategic, operational, and risk-related decisions, including those concerning inventory, market exposure, and credit risk, were exclusively undertaken and managed by Shenzhen SofarSolar Co. Ltd. .

Accordingly, SofarSolar Netherlands B.V. can be characterized as a service entity without employees, engaged solely in re-invoicing activities.

Note: TP team will generalize

## Intercompany agreements

Please see Appendix III for the relevant intercompany agreements.

# Specific financial and tax information

## Introduction

This section provides information on the financials of SofarSolar Netherlands B.V. and any tax arrangements (e.g. advanced pricing agreements (“APAs”) and advance tax rulings (“ATRs”)) agreed upon by SofarSolar Netherlands B.V. with the tax authorities.

## Annual report

In Appendix IV, the local statutory accounts of SofarSolar Netherlands B.V. are included for FY2024

## Tax arrangements

SofarSolar Netherlands B.V. has not entered into any APAs or ATRs during FY2024.

# Transfer pricing analysis for Transaction 1 – Provision of re-invoicing services in relation to the Purchase of goods by SofarSolar Netherlands B.V. from Shenzhen SofarSolar Co. Ltd.

## Functional analysis

### Functions performed

* SofarSolar Netherlands B.V.:

SofarSolar Netherlands B.V.’s role in the transaction is limited to re-invoicing. The entity does not engage in any strategic, operational, or commercial decision-making. It does not perform any production, procurement, marketing, distribution, or warehousing functions. These functions are instead executed by other related or third-party entities. Furthermore, SofarSolar Netherlands B.V. does not have personnel and thus does not exercise control over any relevant functions.

* Shenzhen SofarSolar Co. Ltd. :

The parent entity, Shenzhen SofarSolar Co. Ltd. , is responsible for all economically significant activities associated with the transaction. This includes:

* Negotiating and setting commercial terms and conditions with suppliers and customers;
* Making all strategic decisions related to market positioning, pricing, credit, and inventory management;
* Managing supplier relationships and customer engagement;
* Overseeing logistics, warehousing, and physical distribution through related or third-party service providers.

Note: TP team to generalize

Table 4. Summary of functions performed by relevant entities

|  |  |  |
| --- | --- | --- |
| Functions | SofarSolar Netherlands B.V. | Shenzhen SofarSolar Co. Ltd. |
| Strategic decision-making | NI | X |
| Negotiation of terms with customers | NI | X |
| Inventory management | NI | X |
| Risk management | NI | X |
| Production | NI | X |
| Re-invoicing and administrative support | X | X |
| X – Functions performed; NI – Not involved | | |

### Risks assumed

SofarSolar Netherlands B.V. does not assume any of the key risks associated with the transaction. Specifically, it does not bear:

* Market risk – exposure to changes in customer demand and pricing;
* Credit risk – exposure to customer default or late payments;
* Inventory risk – including potential stock obsolescence or loss;
* Operational/logistics risk – including failures in warehousing, distribution, or supply chain;
* Strategic/commercial risk – arising from key business decisions and positioning;
* Foreign exchange risk – where applicable, related to cross-border transactions.

The table below provides a summary of the risk assumed by relevant entities.

Table 5. Summary of risks assumed by relevant entities

|  |  |  |
| --- | --- | --- |
| Risks | SofarSolar Netherlands B.V. | Shenzhen SofarSolar Co. Ltd. |
| Market Risk | NI | X |
| Credit Risk | NI | X |
| Inventory Risk | NI | X |
| Operational risk | NI | X |
| Strategic risk | NI | X |
| Foreign Exchange risk | NI | X |
| X – Risks assumed; NI – Not involved | | |

### Assets employed

SofarSolar Netherlands B.V. does not own or use any tangible or intangible assets in connection with the transaction. All relevant assets (e.g., inventory, logistics infrastructure, or IP) are held and managed by Shenzhen SofarSolar Co. Ltd. or third-party service providers.

The table below provides a summary of the intangible and tangible assets used by relevant entities.

Table 6. Summary of assets employed by relevant entities

|  |  |  |
| --- | --- | --- |
| Assets | SofarSolar Netherlands B.V. | Shenzhen SofarSolar Co. Ltd. |
| Tangible assets | | |
| Office building / equipment | NI | X |
| Manufacturing equipment | NI | X |
| Inventory | NI | X |
| Intangible assets | | |
| Manufacturing and technology know-how | NI | X |
| Product (compounding standards etc.) | NI | X |
| Patents | NI | X |
| Trademark | NI | X |
| X – Assets employed; NI – Not involved | | |

### Conclusion on functional and risk profile

Below is a summary of the functions performed, and risks borne by the entities under review.

Shenzhen SofarSolar Co. Ltd.

Based on the functions performed, the risks assumed, and the assets employed, Shenzhen SofarSolar Co. Ltd. can be characterized as an entrepreneur.

{{reporting \_company}}

Based on the functions performed, the risks assumed, and the assets employed, it can be concluded that SofarSolar Netherlands B.V. can be characterized as a service entity performing re-invoicing activities.

## Selection of TP methods

This section provides an overview of the specific TP methods recognised by the OECD Guidelines and the main considerations for selecting the most appropriate TP method to assess the arm’s length nature of the controlled transactions in scope of this report. In addition, this section provides the analysis of which method is the most appropriate to test the arm’s length nature of the controlled transactions.

### Available methods for price testing

The OECD Guidelines provide specific methods for testing the arm’s length nature of inter-company transactions. The OECD Guidelines group TP methods into two categories; the “traditional transaction methods” and the “transactional profit methods”. The OECD Guidelines require an inquiry into the availability and the reliability of data, the degree of comparability between the controlled and uncontrolled transactions and the sensitivity of the assumptions to data deficiencies to determine which method should be used for the particular transaction or group of transactions under review. The arm’s length character of the controlled transactions can be determined by applying one of the following methods:

Traditional transaction methods:

* Comparable uncontrolled price (“CUP”) method;
* Resale price method (“RPM”); and
* Cost plus (“CP”) method.

Transactional profit methods:

* Transactional net margin method (“TNMM”); and
* Profit split method (“PSM”).

The following sections provide the analysis of which method is the most appropriate to test the arm’s length nature of the controlled transactions.

### CUP method

The CUP method evaluates whether the amount charged in a controlled transaction is at arm’s length, by reference to the amount charged in comparable uncontrolled transactions under similar circumstances.

Applicability of the CUP method requires comparability between the controlled and uncontrolled transactions in terms of both products transferred and other terms of arrangements. For example, some of the arrangement terms that should be considered in determining a potential CUP include the terms of the transaction, volume of sales, time of transaction, geographic markets and the level of the market.

For the purposes of the CUP method, an uncontrolled transaction is considered comparable to a controlled transaction if reasonably accurate adjustments can be made to eliminate the effects of any material differences between the controlled and uncontrolled transactions. The extent and reliability of any such adjustments will affect the relative reliability of the analysis under the CUP method.

When it is possible to identify comparable uncontrolled transactions, the CUP method is the most direct and reliable way to apply the arm’s length standard. However, if reasonably accurate adjustments cannot be made to eliminate any product or functional differences between the controlled and uncontrolled transactions, the reliability of the CUP method will be reduced. Therefore, it might be necessary to combine the CUP method with other less direct methods or to use another more appropriate method instead.

There are two types of comparable uncontrolled transactions:

* External comparables: external CUPs are prices for transactions between two third parties in which the property transferred or services rendered and circumstances of the transaction are very similar or identical to the property and circumstances of the controlled transaction; and
* Internal comparables: internal CUPs are prices for transactions between one of the related parties with a third-party in which the property transferred or services rendered and circumstances of the transaction are very similar or identical to the property and circumstances of the controlled transaction.

### RPM

The RPM evaluates the arm’s length nature of the transfer price in a controlled transaction by reference to the gross profit margin (the ratio of gross profit to net sales) realised in comparable uncontrolled transactions. The RPM is ordinarily used in situations in which one entity (the reseller) purchases tangible goods from a related entity and the reseller does not physically alter the tangible goods or use any intangible assets to add substantial value to the goods.

An analysis using the RPM begins with the price at which a product that has been purchased from a related entity is resold to an independent entity. The (resale) price is then reduced by an appropriate discount (i.e. gross margin), which should cover the selling and other operating expenses of the reseller, and represent, considering the functions performed, an appropriate profit.

The resale price margin of the reseller in the controlled transaction may be determined in two ways:

* External comparables: the resale price margin of the reseller in the controlled transaction can be determined by using the resale price margin earned by an independent entity in comparable uncontrolled transactions; and
* Internal comparables: the resale price margin of the reseller in the controlled transaction can be determined by using the resale price margin that the same reseller earns on items purchased and sold in comparable uncontrolled transactions.

### CP method

The CP method tests the arm’s length character of a transfer price in a controlled transaction by reference to the gross profit mark-up (the ratio of gross profit to cost of sales) realised in a comparable uncontrolled transaction. The CP method measures the value of the functions performed and is ordinarily appropriate in cases involving the manufacture or assembly of tangible goods, which are sold to a related party, or the provision of services for a related party.

An analysis based on the CP method begins with the costs incurred by the supplier of property or services in a controlled transaction for property transferred or services provided to a related purchaser. An appropriate mark-up is then added to these costs to make an appropriate profit considering the functions performed and the market conditions.

The cost-plus mark-up of the supplier in the controlled transaction may be determined in two ways:

* External comparables: the cost-plus mark-up of the supplier in the controlled transaction may be established by reference to the cost-plus mark-up that would have been earned in comparable transactions by independent entities; and
* Internal comparables: the cost-plus mark-up of the supplier in the controlled transaction may be established by reference to the cost-plus mark-up that the same supplier earns in comparable uncontrolled transactions.

### PSM

The PSM evaluates whether the allocation of combined operating profit or loss attributable to one or more controlled transactions is arm’s length by reference to the relative value of each participant’s contribution to that profit or loss. This method is generally the most appropriate method when both parties to the transaction own valuable, non-routine intangibles, which contribute to the profit earned with the transaction, or when the activities and contributions made by the parties engaged in a controlled transaction are highly integrated.

The PSM involves either the identification of a comparable profit-sharing arrangement between two unrelated parties performing similar functions and bearing similar risks as the controlled taxpayers; or the allocation of combined operating income, first to routine activities through application of a specified method, and then to other non-routine activities performed. Therefore, the PSM consists of two methods; the comparable PSM and the residual PSM.

* Comparable PSM: this requires detailed data about the division of profits between unrelated parties. In practice, it is very unlikely that companies would be able to obtain such data concerning unrelated parties; and
* Residual PSM: this requires allocations of routine and non-routine contributions. The arm’s length return for the routine contribution is determined by using a method such as the TNMM, while the residual return is allocated based on the relative value of the related party’s contributions to the combined intangible capital.

### TNMM

The TNMM evaluates the arm’s length character of a controlled transaction by comparing the operating profits earned by the party engaged in the controlled transaction to the operating profits earned by uncontrolled parties engaged in similar business activities. The TNMM evaluates the net margin of the taxpayer from the controlled transaction (or transactions that are appropriate to aggregate) by reference to the net margin that the same taxpayer earns in comparable uncontrolled transactions. Where this is not possible, the operating profit that would have been earned in comparable transactions by an independent entity may be used.

The TNMM is applied to the entity for which reliable data and the most closely comparable transactions can be identified. It is usually the entity that is the least complex of the entities involved in the controlled transaction and that does not own valuable intangible property or unique assets.

To be applied reliably, the TNMM must be applied in a manner consistent with the manner in which the RPM or CP method would be applied. In particular, comparability under the TNMM is primarily dependent upon the similarity of capital invested and risks assumed by the controlled parties with respect to their activities. Under the TNMM, comparable companies need only be broadly similar and significant product diversity and some functional diversity between the controlled and uncontrolled parties is acceptable.

## Application of TP methods

For the reasons previously stated, the TNMM is considered the most appropriate method to test the arm’s length nature of distribution activities performed by SofarSolar Netherlands B.V. . For applying the TNMM, the following steps should be completed:

* Select a tested party;
* Select a profit level indicator;
* Perform a comparability study (i.e., search for comparable companies and select a PLI);
* Construct a range of arm's length results; and
* Compare the tested party's measure of operating profit to the arm's length range.

### Selection of a tested party

SofarSolar Netherlands B.V. has been selected as a tested party for the purpose of testing the re-invoicing activities performed. SofarSolar Netherlands B.V. is the party that has the less complex functional profile in relation to the transaction. This is because SofarSolar Netherlands B.V. performs less complex functions when compared to Shenzhen SofarSolar Co. Ltd. and does not make any valuable, unique contribution in relation to activities performed.

### Selection of a profit level indicator

Under the TNMM, the net profit margin is measured by use of an appropriate PLI such as the ratio of operating profits to sales, the ratio of gross profit to operating costs, or the rate of return on capital employed or return on assets, and finally in some designated cases the mark-up on total costs. Following the identification of the TNMM as an appropriate TP method, the mark-up on total costs was identified as the most appropriate PLI to provide a reliable measure of the arm’s length remuneration for the distribution activities of SofarSolar Netherlands B.V. .

This PLI is calculated by dividing the net operating profit or earnings before tax by revenue. The operating profit is relatively objective and consistently calculated among accounting systems, and it is a frequently used measure and can be calculated from publicly available data. A mark-up on total costs refers to an additional amount added to the actual costs incurred by a business to cover its operational activities. This mark-up is intended to ensure that the intermediary or service provider earns a profit over and above their costs.

### Comparability study

A search for comparables to assess the arm’s length remuneration for the distribution activities performed by SofarSolar Netherlands B.V. was conducted. The comparables search performed aimed to identify a sufficient number of comparable companies, which therefore implied to broaden the search process as much as possible when conducting the quantitative screening process. The qualitative screening of each of the comparables search led to reject all companies considered not comparable to the tested party based on their activities. A report documenting this search is attached in Appendix VI to this Local File.

### Arm’s length range

As a result of the search performed to identify the arm’s length range of results for similar activities, a comparable set of 34 companies was identified. As described above, to assess the arm’s length remuneration for the distribution activities, the mark-up on total costs was used as a PLI.

Because levels of profitability for different companies within an industry sample will vary, summary statistics indicating a "typical" or expected level of profitability for each sample are calculated. Further, the OECD Guidelines recommend the calculation and application of a range to increase the reliability of the outcome of the sample. They also advocate the use of multiple year data analysis. Consequently, the financial ratios for the years for which data was available (i.e., 2021-2023) were calculated and used for application of the average method described above for the sample of independent companies. Moreover, there were calculated the full and the interquartile ranges (i.e., the 25th to the 75th percentile) of a sample’s observations and the median for the final sample of comparable companies of each of the searches performed.

A range of mark-up on total costs achieved by companies engaged in comparable activities to those undertaken by SofarSolar Netherlands B.V. over the 2021-2023 three-year period is summarised in the following table.

Table 4. MOTCs over a three-year period and weighted average

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | MOtC 2021 | MOTC 2022 | MOTC 2023 | Weighted Average Markup on total costs (2021 – 2023) |
| Minimum | -24.13% | -13.91% | -10.18% | -1.85% |
| Lower quartile | 0.26% | 0.96% | 1.83% | 0.96% |
| Median | 1.92% | 4.66% | 7.28% | 3.83% |
| Upper quartile | 10.44% | 10.55% | 11.87% | 9.85% |
| Maximum | 39.70% | 45.75% | 96.00% | 44.33% |
| Count | 34 | 34 | 34 | 34 |

Based on the outcome of the benchmarking study, the interquartile range of mark-up on total costs achieved by companies engaged in comparable activities to those undertaken by SofarSolar Netherlands B.V. is from 0,96% to 9.85%, with a median at 3.83%.

A mark-up on total costs of 3,83% was considered for the purpose of assessing the remuneration of SofarSolar Netherlands B.V. . This margin falls within the interquartile range of the results of the benchmarking study.

## Financial analysis

During FY2024, SofarSolar Netherlands B.V. engaged in re-invoicing activities involving the purchase of goods from Shenzhen SofarSolar Co. Ltd. for distribution across the Dutch and broader European markets. The entity did not employ any personnel and did not perform or control any economically significant functions, nor did it assume any material risks related to the transaction.

All strategic, operational, and risk-related responsibilities—including decisions related to inventory, market exposure, and credit risk—were fully managed by Shenzhen SofarSolar Co. Ltd. . As such, SofarSolar Netherlands B.V. operated as a limited-risk service entity, solely executing re-invoicing functions without involvement in the underlying commercial or logistical processes.

The financial outcomes of SofarSolar Netherlands B.V. should therefore reflect a routine return appropriate for its limited functional and risk profile.

The financial results of SofarSolar Netherlands B.V. in FY2024 are as follows:

Table 7. Financial results achieved by SofarSolar Netherlands B.V. for FY2024

|  |  |
| --- | --- |
| Financial results | FY2024, in EUR |
| Revenue | FS: revenue |
| Other operating expense | FS: opex |
| Cost of sales | FS: cogs |
| Gross profit | FS: gross margin |
| Gross margin, % | {{key\_financials\_gross\_margin}} |
| Personnel expenses | FS: personnel expenses |
| Depreciation of tangible fixed assets | FS: depreciation |
| Other operating expenses | FS: other expenses |
| Operating profit (loss) | FS: Operating profit |
| Operating margin, % | FS: operating margin |

As it is seen in the table above, SofarSolar Netherlands B.V. achieved an EBIT margin of X% and during FY2024.

Based on the above arguments, it can be concluded that SofarSolar Netherlands B.V. ’s EBIT margin in all the Financial Years stated above falls within the interquartile range of the benchmarking study.

# Appendix I – SofarSolar Group’s Master File

Attached as a separate document to this Local File.

# Appendix II – BEPS Action 13 – Cross-reference Table

As mentioned in the Local File, the Dutch Decree no. DB / 2015 / 462m and the OECD Guidelines prescribed information that should be included in the Local File. The table below presents an overview of the prescribed information with a cross-reference to the specific paragraph in the Local File.

| Local file documentation requirements | Reference Section |
| --- | --- |
| Local entity | |
| * A description of the management structure of the local entity, a local organisation chart, and a description of the individuals to whom local management reports and the country (or countries) in which such individuals maintain their principal offices. | Sections 3.2 and 3.3 |
| * A detailed description of the business and business strategy pursued by the local entity including an indication whether the local entity has been involved in or affected by business restructurings or intangibles transfers in the present or immediately past year and an explanation of those aspects of such transactions affecting the local entity. | Section 3 |
| * Key competitors. | Section 3.9 |
| Controlled transactions | |
| * A description of the material controlled transactions (e.g. procurement of manufacturing services, purchase of goods, provision of services, loans, financial and performance guarantees, licences of intangibles, etc.) and the context in which such transactions take place. | Section 4 |
| * The amount of intra-group payments and receipts for each category of controlled transactions involving the local entity (i.e. payments and receipts for products, services, royalties, interest, etc.) broken down by tax jurisdiction of the foreign payer or recipient. | Section 4 |
| * An identification of associated enterprises involved in each category of controlled transactions, and the relationship amongst them. | Section 4 |
| * Copies of all material intercompany agreements concluded by the local entity. | Appendix III |
| * A detailed comparability and functional analysis of the taxpayer and relevant associated enterprises with respect to each documented category of controlled transactions, including any changes compared to prior years. | Sections 6, 7 and 8 |
| * An indication of the most appropriate transfer pricing method with regard to the category of transaction and the reasons for selecting that method. | Sections 6, 7 and 8 |
| * An indication of which associated enterprise is selected as the tested party, if applicable, and an explanation of the reasons for this selection. | Not applicable |
| * A summary of the important assumptions made in applying the transfer pricing methodology. | Sections 6, 7 and 8 |
| * If relevant, an explanation of the reasons for performing a multi-year analysis. | Not applicable |
| * A list and description of selected comparable uncontrolled transactions (internal or external), if any, and information on relevant financial indicators for independent enterprises relied on in the transfer pricing analysis, including a description of the comparable search methodology and the source of such information. | Sections 6, 7 and 8 |
| * A description of any comparability adjustments performed, and an indication of whether adjustments have been made to the results of the tested party, the comparable uncontrolled transactions, or both. | Not applicable |
| * A description of the reasons for concluding that relevant transactions were priced on an arm’s length basis based on the application of the selected transfer pricing method. | Sections 6, 7 and 8 |
| * A summary of financial information used in applying the transfer pricing methodology. | Sections 6, 7 and 8 |
| * A copy of existing unilateral and bilateral/multilateral APAs and other tax rulings to which the local tax jurisdiction is not a party and which are related to controlled transactions described above. | Section 5 |
| Financial information | |
| * Annual local entity financial accounts for the fiscal year concerned. If audited statements exist they should be supplied and if not, existing unaudited statements should be supplied. | Appendix IV |
| * Information and allocation schedules showing how the financial data used in applying the transfer pricing method may be tied to the annual financial statements. | Sections 6, 7 and 8 |
| * Summary schedules of relevant financial data for comparables used in the analysis and the sources from which that data was obtained. | Appendix V |

# Appendix III – Intercompany Agreements

Attached as a separate document to this Local File.

# Appendix IV – Statutory Accounts of SofarSolar Netherlands B.V. for FY2024

Attached as a separate document to this Local File.

# Appendix V – Benchmarking studies

Attached as a separate document to this Local File.