

## Transfer Pricing

### Transfer pricing – a key issue for all multinationals

With the increasing complexity of multinational intercompany transactions and the increasing sophistication of tax authorities worldwide, transfer pricing is a critical tax issue for all multinational companies. Tax authorities see transfer pricing as an attractive source of revenues and take an aggressive approach in challenging transfer pricing methods and results.

### What is transfer pricing?

It involves the pricing of goods, services and intangible property in cross border transactions between related parties. Issues arise from:

- the ability of companies that engage in cross border transactions with related entities to price the flow of property or services so as to gain maximum tax advantage
- the perception of tax authorities worldwide that there is widespread abuse
- an abundance of additional taxes that can be imposed by auditing and adjusting pricing methods

Transfer pricing presents significant risks for companies that are unprepared but equally opportunities remain for non-aggressive tax planning.

### Managing your transfer pricing risk

Following the OECD's BEPS (Base Erosion and Profit Shifting) measures to clamp down on multinationals shifting profits from higher tax jurisdictions to lower tax jurisdictions, tax authorities are increasing the numbers of international tax examiners, imposing stricter documentation requirements and increasing penalties for failure to meet the required standards.

Expert assistance is essential in this complex field where each transaction must be analysed under its own unique facts and circumstances.

A transfer pricing audit is time consuming, complex and costly. The best defense against an audit is a review that ensures effective documentation to support the transfer pricing methods and valuations.

### How Beavis Morgan can assist

We can provide a structured approach as follows:

### **Analysis and planning:**

Expert advisers will conduct a thorough analysis of your company's existing transfer pricing policies to assess areas of risk and opportunities. Their objective is to maximise planning opportunities while minimising audit and adjustment risk and avoiding penalties.

### **Prepare supporting documentation:**

Documenting transfer pricing methods and results is essential to defend against audit adjustments and protect against penalty assessments. While there are some differences in global documentation requirements, many similarities exist.

Specialists will develop a documentation approach that meets the needs of tax authorities in different countries to minimise your overall compliance costs.

Extensive global databases are utilised to review and select comparable uncontrolled transactions to compare to results achieved and support the arm's length nature of your transactions. Sophisticated analysis software is used to quantify and justify necessary adjustments and evaluate industry specific economic trends, risks and opportunities.

### **Negotiating advance pricing arrangements**

Uncertainty over transfer pricing issues and potential tax exposure can be addressed through the negotiation of an advance pricing arrangement (APA) with appropriate tax authorities. These arrangements are geared toward the large multinational companies. The successful negotiation of an APA can achieve:

- Avoidance of potential for double taxation
- Relief from penalty assessment
- Certainty of tax treatment
- Time and cost savings

### **Other transfer pricing services**

In addition to the services described above, dedicated specialists can assist with:

- Conducting benchmarking studies to assess risks and opportunities
- Developing tax effective strategies for charging management and support services
- Planning for tax effective repatriation of profits
- Developing tax effective royalty payment arrangements

**For a no obligation discussion on your transfer pricing needs please contact Fiona Cross, Tax Partner**

T. 020 7549 2404

E. [fiona.cross@beavismorgan.com](mailto:fiona.cross@beavismorgan.com)

[beavismorgan.com](http://beavismorgan.com)

**HEAD OFFICE**  
82 St John Street  
London  
EC1M 4JN  
020 7417 0417

**BeavisMorgan.**  
Accountants | Tax | Business Advisers