MARSHALL STEVENS

TRANSFER PRICING & TAX CONTROVERSY

Introduced by the United States, transfer pricing compliance and documentation requirements have spread around the world. While individual country approaches to documentation vary significantly, the number of countries requiring preparation of transfer pricing documentation increases every year.

Compliance & Documentation

The proliferation of transfer pricing compliance and documentation requirements, combined with a dramatic increase in the volume and complexity of international intra-group trade and the heightened scrutiny of transfer pricing issues by tax authorities, makes transfer pricing documentation one of the top tax compliance priorities on the agendas of both tax authorities and businesses.

Advance Pricing Agreements

Advance Pricing Agreements (APAs) are generally bi- or multilateral; they also include agreements between the taxpayer and one or more foreign tax administrations under the authority of the mutual agreement procedure specified in income tax treaties. The taxpayer benefits from such agreements since it is assured that income associated with covered transactions is not subject to double taxation by the IRS and the relevant foreign tax authorities. It's possible that a taxpayer may negotiate a unilateral APA involving only the taxpayer and the IRS.

Functional & Economic Analyses

The Functional Analysis provides the factual foundation for determining the extent and economic substance of the related party activities that are undertaken by a renderer on behalf of a recipient. This analysis is a method of finding and organizing facts about a business in terms of its functions, risks, and assets in order to identify how these characteristics are divided between the entities involved and transactions under review.

Cost Sharing Agreements

In general, a Cost Sharing Arrangement (CSA) is an arrangement by which the participants agree to share the cost of developing one or more intangibles (referred to as "covered intangibles" or "cost shared intangibles") that will be separately exploited by each of the participants.

In the United States, CSA is governed by Treas. Reg. §1.482-7. By participating in a CSA, each participant obtains a separate interest in such cost-shared intangible. Consequently, each participant may separately exploit the cost-shared intangible in a manner consistent with that interest without owing additional compensation to the other participants.

How We Do It

At Marshall & Stevens, we use market-based pricing techniques, benchmarking studies, and other accepted valuation methodologies to incorporate inter-company pricing policies supported by established valuation theory, regulations, and well-established economic principles.

The result is a sound valuation for transfer pricing solutions that meet our clients' business objectives, as well as the arm's length requirements imposed by national tax authorities.

Our valuation reports are prepared in conformance with the Organization for Economic Cooperation and Development (OECD) and applicable Treasury Department Guidelines.

EXPERTISE IN ACTION

Founded in 1932, Marshall & Stevens provides valuation consulting, transaction advisory, and litigation support services. The firm's specialists are relied upon by businesses, investors, and advisors for analyses utilized in complex transaction and legal matters.

From the boardroom to the courtroom, Marshall & Stevens delivers clarity, independence, and results.

NEED ASSISTANCE OR WANT TO LEARN MORE?

CONTACT FORM:

Scan the QR Code or click HERE to fill out our contact form and a specialist from our team will connect with you soon.

TRANSFER PRICING WEBPAGE:

To learn more about our Transfer Pricing services and practice specialists, scan the QR Code or click HERE to visit our website.