



Global Transfer Pricing Services

Transfer Pricing

Crowe Horwath International's Transfer Pricing practice provides economic consulting services in connection with tax issues arising from transactions among controlled parties. Our transfer pricing services seek to determine whether the pricing of intercompany transactions is consistent with the arm's length standard.

Through Crowe Horwath International's network of firms, we have extensive resources worldwide to assist companies with their transfer pricing needs. Intercompany transactions include:

- Sale and purchase of tangible goods
- License of intangible property rights
- Provision of services
- Financial transactions, including loans
- Cost sharing agreements

Increased Scrutiny and BEPS

Tax authorities are increasingly focused on whether multinational companies use transfer pricing to shift income to low-tax jurisdictions where there is little economic activity. The number of transfer pricing inquiries and audits has increased in many countries, and many tax authorities and legislatures have in recent years acted unilaterally to address perceived tax avoidance strategies.

Base Erosion and Profit Shifting ("BEPS"):

In late 2014, The Organisation for Economic Co-operation and Development ("OECD") and the Group of 20 Nations ("G-20") began releasing a series of 15 BEPS action plans with the goal of harmonizing international tax and transfer pricing rules, and ensuring that profits are taxed where economic value is being created.

BEPS transfer pricing recommendations, to be finalized in October 2015, are already under consideration by regulators in Australia, Poland, Spain, and the U.K., and may be effective as early as 2016. The U.S. Department of the Treasury and Congress are now actively considering the role of BEPS draft recommendations in modifying existing rules.

BEPS draft recommendations include three transfer pricing documentation reports:

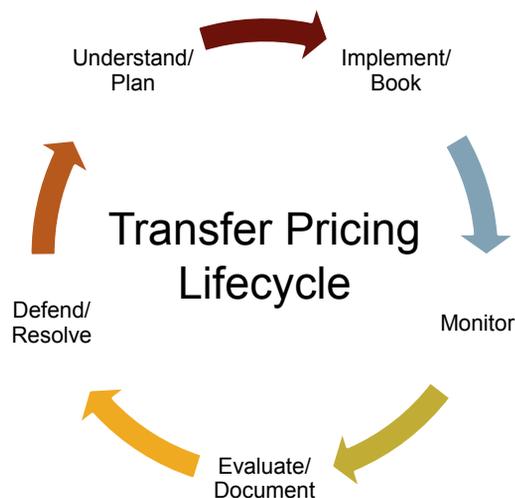
- **Master File:** A global list of group entities, including a detailed report of each entity's functions performed, assets employed, and risks assumed. The Master File may be requested by tax authorities in all jurisdictions where the country operates.
- **Local File:** A detailed financial and economic analysis of the inter-company transactions that the local company engaged in during the fiscal year. Each entity must prepare its own Local file for the tax authorities of the country where it operates.
- **Country-by-Country Report:** A summary of financial statement items segmented by country, including financial data such as revenues, profits, taxes paid, and the value of tangible assets, as well as formulary information such as number of employees. The report will only be submitted to the tax authority where the group headquarters resides, and only applies to companies with consolidated global revenue greater than €750 million. Other jurisdictions may request the filed report.





Transfer Pricing Lifecycle

With BEPS nearing implementation in many areas, it is more important than ever to ensure that intercompany transactions are assessed throughout the year to ensure compliance with transfer pricing regulations. The transfer pricing lifecycle below shows the steps required be in compliance and efficiently address the regulatory burden:



Penalties: Transfer pricing documentation can provide penalty protection in the event tax authorities make a transfer pricing adjustment. Additionally, documentation can reduce the duration and intensity of a transfer pricing audit. Penalties vary based on jurisdiction, take different forms such as fixed fees or a percentage of underpaid tax, and can be very substantial.

Services Offered

To meet the increasing sophistication of tax authorities with respect to transfer pricing regulations and penalties, our transfer pricing specialists provide economic consulting services in a number of specific areas, as follows:

■ Compliance

- Evaluate current transfer pricing policies and documentation;
- Prepare regulatory compliant transfer pricing documentation; and
- Provide due diligence for M&A transactions and tax provisions.

■ Strategic Planning

- Plan efficient and supportable transfer pricing policies.
- Evaluate the impact of new and/or proposed transfer pricing regulations.
- Set global pricing structures for new intercompany transactions.
- Prepare and Evaluate Cost-Sharing Agreements.
- Prepare Advanced Pricing Agreements.

■ Implementation

- Evaluate and provide suggested language for inter-company agreements.
- Implement transfer pricing policies and compute adjustments.
- Provide guidance for accounting systems to effectively manage transfer pricing policies.

■ Audit Defense, Litigation Support, and Dispute Resolution

- Prepare economic analyses for litigation or audit defense.
- Participate in negotiations with local country tax authorities.



About Crowe Horwath International

Crowe Horwath International is ranked among the top 10 global accounting networks with more than 200 independent accounting and advisory services firms in over 120 countries around the world. Crowe Horwath International's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily. Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Horwath International member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

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