

# TRANSFER PRICING SERVICES



# Transfer Pricing Services

**Marcum LLP's International Tax Services Group** has expertise and technical knowledge to assist in transfer pricing support for clients. This includes:

- Implementation of transfer pricing policies
- Preparation of documentation to conform with IRS and Organization for Economic Development ("OECD") requirements and/or local country tax requirements
- Assistance in defending tax return positions in the event of a tax audit
- Keeping up with regulatory changes on a global and country-by-country basis

## **TODAY'S TRANSFER PRICING ENVIRONMENT**

The IRS, OECD and taxing authorities from developed and developing countries have ramped up enforcement efforts with renewed focus on multinational enterprises' ("MNEs") transfer pricing policies. The OECD implemented revised standards for transfer pricing documentation and a template for country-by-country reporting which is recommended to be adopted by MNEs with a revenue in excess of € 750 million and starting fiscal years beginning on or after January 1, 2016. The IRS released final regulations that align U.S. transfer pricing reporting requirements with those recommended by the OECD. Under the final regulations, the reporting requirements apply to fiscal years beginning on or after June 30th, 2016.

MNEs need to be prepared to document and defend the transfers of property, services and intangibles among affiliated entities in this changing regulatory environment, whether under existing regulatory requirements or the new OECD requirements.

## **IMPLEMENTATION OF TRANSFER PRICING POLICIES**

When MNEs initiate global intercompany transactions, they need to establish pricing for those transactions. The transfer pricing methodology that an MNE implements should reflect a reasonable return to the parties of the transactions based upon the functions performed, risks

assumed and assets utilized. Marcum can assist by preparing benchmark reports that identify comparable transactions to support an arm's length pricing methodology. In addition, Marcum can advise on the implementation of intercompany agreements and other documentation to support the transfer pricing policies.

## **PREPARATION OF IRS REQUIRED TRANSFER PRICING DOCUMENTATION AND AUDIT DEFENSE**

IRS regulations require taxpayers to document their selection and application of transfer pricing methods to avoid penalties in the case of an adjustment. In addition, the taxpayer must have that documentation available for delivery to the IRS at the outset of an audit. Based upon the size of an IRS transfer pricing adjustment, the penalties can be either 20 or 40 percent of the underpayment attributable to the adjustment.

To avoid the possibility of these onerous penalties, MNEs should take time to prepare the documentation required by the transfer pricing regulations. This documentation is referred to as a Transfer Pricing Study and typically includes economic analysis to support the arm's length nature of the transfer pricing method used. The Transfer Pricing Study is the taxpayer's first line of defense in an IRS audit. Without it, the taxpayer may not have adequate time to build a case and is exposed to severe penalties.

Marcum also has experience in defending transfer pricing in IRS examinations and will assist clients in the event of an audit.

## **PREPARATION OF OECD AND OTHER FOREIGN TRANSFER PRICING DOCUMENTATION**

Through Marcum's in-house expertise and its global alliances with Leading Edge Alliance (LEA) and ECOVIS, Marcum can not only prepare the appropriate local documentation to support transfer pricing in foreign jurisdictions but also has the ability to refer local experts to assist in defending local country tax audits.