

Transfer Pricing

MAXIMIZING VALUE THROUGH KNOWLEDGE™

As companies continue to expand internationally, transfer pricing services have become both necessary and beneficial for many companies. IRS Section 482 is the most important transfer pricing document for United States tax purposes, and valuation can be a critical issue when there are intangible assets or intellectual property being shared between international entities including trademarks, tradenames, patents, copyrights, and internally developed software. In addition to the intangible assets or intellectual property, shared services such as general and administrative, sales and marketing, and research and development costs must be properly allocated to the entities which benefit from the respective services.

A detailed knowledge of the methodologies and disclosures required by Section 482 is critical for creating a transfer pricing system which will satisfy the IRS. Section 482 details specific methods which need to be implemented correctly such as the Service Cost Method (“SCM”), Comparable Uncontrolled Price Method (“CUP”), Comparable Profit Method (CPM”), and Profit Split Method (“PSM”). There have also been recent updates to the SCM providing further guidance on covered services.

A thorough transfer pricing analysis also provides the structure for future years with a system that can be readily adapted to a changing business. Considering that significant focus from the IRS may be shifted to international tax in an effort to boost revenue, transfer pricing issues will become increasingly important.