



BDO IRELAND
TRANSFER PRICING
FOR IRISH BUSINESS

Helping you turn complexity
into opportunity

DEVELOPMENTS IN INTERNATIONAL TAX

The rapid growth of cross-border trade has caused the pricing of inter-company transactions to be an everyday business requirement. In turn, most tax authorities are investing in their capabilities to seek to ensure appropriate taxation of business activities.

Hence, transfer pricing and associated international tax regimes continue to be the most important global tax issue for business and the world's tax authorities.

In the decade since the financial crisis, governments have grown sensitive toward perceived tax avoidance by international business. The Base Erosion and Profit Shifting (BEPS) project led by the Organisation of Economic Co-operation and Development (OECD) progressed reform on taxation at a scale and pace never observed before. Following the BEPS project, the OECD and governments continue to re-define the framework for international corporate taxation in part to implement tax policies agreed during the BEPS project and to progress new measures intended to appropriately tax international business activities.

A CHANGING TRANSFER PRICING LANDSCAPE

Globally, we are observing governments introducing stricter tax regulations on international business arrangements, making it more important to ensure transfer pricing methodologies are sustainable and adequately documented.

It is now vital to demonstrate commercial and functional substance to your transfer pricing arrangements, in addition to documenting the economic and financial support to the transaction price.

Tax authorities are seeking robust documentation that clearly articulates how the global allocation of profit was aligned with where business value was created. Failure to do so to a tax auditor's satisfaction may lead to:

- Local tax assessments, penalties and interest
- Double tax with no relief
- Tax disputes taking up time and money
- Reputational damage.

We are seeing radical transparency measures and new accountability imposed on international business unlike any time before. Country-by-country reporting, automatic exchange of taxpayer information and accounting disclosures are examples of new data sources available to tax authorities. There is a growing risk that local management becomes less informed than local tax authorities about the business' global financial and tax affairs.

Despite businesses facing an increasingly uncertain landscape, the complexity underpinning transfer pricing provides a variety of opportunities to optimise profits, increase cash flow and moderate taxes in a supportable manner.

AREAS OF EXPERTISE

DOCUMENT AND COMPLIANCE

Tax authorities and statutory auditors are responsible for ensuring that businesses retain adequate documentation to evidence compliance with tax laws. The high cost of noncompliance is incentivising businesses to prepare robust documentation to support tax and transfer pricing positions – often to more than one audience. We advise businesses on best practices for documentation, ensuring most at-risk positions are adequately supported at the required time.

ASSESS COMPLIANCE AND RISK

When tax laws change or their interpretation evolves, businesses must adapt to remain compliant and avoid risk of audit. We identify areas of greater risk and evaluate a company's tax policies and procedures, typically working toward options to improve compliance with up-to-date rules and best practices.

ENHANCE AND IMPROVE EXECUTION

No two organisations are identical. Each finance function decides how best to execute tax strategies in their organisation. The finest tax policies are only as good as their relevance and execution in business processes. Risk is inherent with the ineffective and inconsistent execution of transfer pricing policies. We assist finance leaders to implement most critical transfer pricing objectives in sustainable ways.

CAPITAL STRUCTURE AND FINANCING

Corporate groups use equity and debt as required to capitalise and fund global operations. Arm's length rates must apply to intragroup financing in the form of loans, facilities, and cash pooling. In many countries, tax laws prohibit subsidiaries assuming debt levels in excess of open market conditions. We advise businesses to ensure intra-group financing structures are efficient and defensible to local tax authorities.

TAX CONTROVERSY

Disputes on transfer pricing matters will arise locally and can devolve into a cross-border process involving multiple tax authorities. An investigation into transfer pricing matters can require substantial business investment. We help you minimise the adverse impact of tax audits using our approach, first to prevent, then to prepare and finally to persuade. We work with finance and tax leaders to prepare for future audits and how to best manage ongoing controversy with tax authorities.

VALUE CHAIN ANALYSIS

A "value chain analysis" is a deep dive into activities performed across a group with the aim to express how business value is created and sustained. Value chain analyses help frame transfer pricing policy such that the group's profits follow the locations where business value is created. We undertake these analyses with clients to develop arrangements to more closely reflect how and where clients manage their global operations.

WHY CHOOSE BDO?

We help clients develop and implement commercial transfer pricing policies, recognising that new rules emerge or business priorities can change. We believe in building close relationships with clients to become a trusted adviser. Understanding your business and processes is our priority. This enables us to provide bespoke tax advice to proactively identify future opportunities and challenges.

OUR BESPOKE APPROACH

BDO takes a business-centric approach in how we advise and support clients. Our teams adopt a partnership approach with clients, delivering a transfer pricing solution catered to each situation. This ensures we understand client priorities, and provide our senior-level expertise to address issues proactively, completely and efficiently.

PRACTICAL SOLUTIONS

We pride ourselves on our focus to collaborate with clients to develop innovative, yet practical solutions to our clients' issues. We want our clients well-informed to make sound decisions impacting the business. This means we will deliver practical and clear advice to you regardless of the underlying complexities of your situation.

GLOBALLY CONNECTED ADVISER

Our global expert network of transfer pricing experts covering over 60 countries regularly share latest trends, thus enabling our highest quality service. Our commercial approach to transfer pricing advice arises from in-depth involvement with businesses across regions and sectors, where we address transfer pricing issues of greatest impact and importance.

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