Review transfer pricing compliance

Businesses with international operations should review their cross-border transactions among affiliates for compliance with relevant country transfer pricing rules and documentation requirements. They should also ensure that actual intercompany transactions and prices are consistent with internal transfer pricing policies and intercompany agreements, as well as make sure the transactions are properly reflected in each party’s books and records and year-end tax calculations. Businesses should be able to demonstrate to tax authorities that transactions are priced on an arm’s-length basis and that the pricing is properly supported and documented. Penalties may be imposed for non-compliance. Areas to consider include:

- Have changes in business models, supply chains or profitability (including changes due to the effects of inflation) affected arm’s length transfer pricing outcomes and support? These changes and their effects should be supported before year end and documented contemporaneously.
- Have all cross-border transactions been identified, priced and properly documented, including transactions resulting from merger and acquisition activities (as well as internal reorganizations)?
- Do you know which entity owns intellectual property (IP), where it is located and who is benefitting from it? Businesses must evaluate their IP assets — both self-developed and acquired through transactions — to ensure compliance with local country transfer pricing rules and to optimize IP management strategies.
- If transfer pricing adjustments need to be made, they should be done before year end, and for any intercompany transactions involving the sale of tangible goods, coordinated with customs valuations.
- Multinational businesses should begin to monitor and model the potential effects of the agreement among OECD countries on a two pillar framework that addresses distribution of profits among countries and imposes a 15% global minimum tax.