

## **MULTINATIONAL BUSINESS : A WORLD OF OPPORTUNITIES - AND INTERNATIONAL TAX ISSUES**

Today's global economy has created tremendous opportunities for conducting business worldwide. But as more and more goods, services and intangibles are transferred across national borders, companies must contend with growing challenges by many countries tax authorities. Any time related parties on different sides of international borders conduct business, the taxing authorities from both countries will insist on taxing their fair share of the income.

### **TRANSFER PRICING**

Transfer pricing is the valuation of goods, services and charges for the use of intangibles, traded across national borders.

Research shows multinational companies consider transfer pricing the most important international tax issue facing their firms over the next several years. Yet most companies view transfer pricing chiefly as a compliance exercise. HLB International, through its member firms, can help you turn Transfer Pricing into a strategic advantage. By guiding you in using transfer pricing as a core management tool, the HLB network can help your multinational firm move beyond simply avoiding the threat of double taxation. Let member firms expert teams turn your transfer pricing strategy into a real competitive advantage and help you deal with the various taxing authorities so that you can focus on your business objectives.

### **IS YOUR COMPANY PREPARED FOR A TRANSFER TAX AUDIT?**

A recent survey of multinational companies found there is a 50% chance of having to defend profits in a transfer pricing examination anywhere in the world. In cases involving adjustments, nearly half the firms reported that transfer pricing adjustments resulted in double taxation.

Transfer pricing is one of the most disputable arenas of international tax. If your firm faced a transfer tax audit, how well would you be able to defend your profits to authorities? Instead, let the HLB International network help you make transfer pricing part of your global strategic planning. Taking a proactive approach to transfer pricing can minimize your firms worldwide taxes, coordinate your global business strategy and improve profitability.

Transfer Pricing is a dynamic issue. For example, the strict US-initiated transfer pricing model is quickly spreading to other countries world-wide and adding to the strain multinational companies face. An integrated global documentation approach to transfer pricing can help companies successfully compete while minimizing the risk of double taxation.

### **HOW CAN THE HLB NETWORK HELP?**

The Transfer Pricing experts within the HLB network will work with you to develop a transfer pricing strategy suited to your multinational company. Your objectives will depend upon your firms overall structure and international tax planning position. For example, if you have significant offshore low-tax manufacturing operations, you may prefer to maximize the amount of income earned by these operations. Or if most of your company's transactions are between high-tax jurisdictions, it may be more important to minimize the chance of double taxation. Additionally, your HLB team will prepare the documentation necessary to prevent any transfer pricing penalties in the event of an adjustment upon audit.

Your HLB team will assist in defining your strategy, helping you evaluate the many factors affecting your transfer pricing policy – including the dispute resolution forum you prefer. You may choose to resolve potential disputes by obtaining an Advance Pricing Agreement ("APA"), in which case your approach should be tailored to the Tax Authorities' current APA process. Or if your company expects to resolve transfer pricing disputes through competent

authority, your analysis should focus on methods most likely to be acceptable to both sides.

### **TAKING A TEAM APPROACH**

Optimizing your company's transfer pricing strategy calls for a team approach, with your accounting, finance and sales departments working with HLB member firm experts in international taxation and finance. This analytical process includes:

- Clarifying the transaction to be analysed and confirming that their structure and risk allocations serve your firm's transfer pricing objectives.
- Preparing functional profit and loss statements for all legal entities involved in the transaction being analysed.
- Analysing potential transfer pricing methods to determine which are best for your company's circumstances.
- Conducting a thorough comparables search both internally and externally
- Reviewing pricing methodologies to select the best method and developing support for the chosen methodology.
- Devising a documentation approach for avoiding penalties.
- Considering the advisability of applying for an APA or a mini-APA.
- Evaluating whether any additional work is needed to defend the transfer pricing methods used in foreign countries.

If you are doing business internationally, HLB member firms have knowledgeable, experienced and skilled advisers who understand the complications inherent in your business.

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