

Transfer pricing

Transfer pricing across borders is increasingly coming under scrutiny from tax authorities around the world.

Blick Rothenberg Chartered Accountants is one of the UK's leading independent accounting practices. Founded in 1945, we have grown to our present position through the success of our clients, not from practice mergers. Our clients include many developing and successful owner managed businesses, international businesses which have set up in the UK and personal clients to whom we supply a range of taxation and investment planning services.

It is all too tempting for businesses working across borders to seek to realise profits in the country where it is most convenient, or where taxes are the most favourable.

Unfortunately tax authorities around the world are similarly determined to ensure that profits are not artificially manipulated.

Areas with the potential for contention include:

- services/goods sold across borders;
- royalties;
- Management charges; and
- cross-border financial charges.

In the UK over recent years, tax legislation has significantly changed and 'transfer pricing', namely prices charged for cross-border transactions between related parties, has become an area which is highly regulated by the UK tax authorities. Most significantly the burden of proof has shifted so that the onus is no longer on the Inland Revenue to prove that

profits have been artificially deflated. Instead the taxpayer must now prove that proper transfer prices have been applied on an arms length basis – as if the UK business had been a wholly independent, unrelated entity.

Written proof should be retained on file to demonstrate that the directors have satisfied themselves that transfer pricing strategy and individual transfer prices have been properly set. Signature of the annual tax return signifies effective confirmation that the correct procedures have been followed.

The penalties for failing to properly set international transfer prices can be very severe. Additionally, enquiries and investigations in this regard can arise some considerable time after the transactions to which they relate have taken place and the internal and external costs of resolving such issues can be high.

So what can we do to help?

Blick Rothenberg can help you put in place a transfer pricing policy which will avoid or minimise potential difficulties. We will review your pricing strategy (both in respect of charges made and those accepted) and undertake a comparative study to demonstrate that the pricing strategy has been based on arms length principles.

We can document this for you and if necessary provide a report in your defence if you become subject to investigation or enquiry.

We can't guarantee to prevent any such enquiry. We can however, maximise your ability to deal with this easily and quickly by ensuring that your transfer pricing policies are properly set and observed.

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