



IRS issues international practice units on transfer pricing topics

Global Transfer Pricing Alert 2016-004

The Internal Revenue Service on February 8 released two new international practice units (IPUs):

- [Outbound Transfer of Domestic Stock](#)
- [Pricing of Platform Contribution Transaction \(PCT\) in Cost Sharing Arrangements \(CSA\) Acquisition of Subsequent IP](#)

These two IPUs are in addition to the three issued February 4:

- [Intercompany Interest Rates Under the Situs Rule of IRC Section 482](#)
- [Outbound Transfer of Foreign Stock](#)
- [Change in Participation in a Cost Sharing Arrangement \(CSA\) – Controlled Transfer of Interest and Capability Variation](#)

The first of these IPUs discusses the outbound stock exception to the general rule of IRC Section 367(a)(1) relating to outbound transfers of domestic stock, and the second involves a case study where a U.S. parent company acquires a target company and makes some of the target's resources, capabilities, and rights available to a CSA. The IPU addresses the best method for determining the arm's length price of the acquisition PCT payments with respect to those resources, capabilities, or rights.

The first of the IPUs issued on February 4 discusses how to determine whether the rate charged on a loan by a foreign parent corporation to a U.S. subsidiary corporation is arm's length pursuant to Treas. Reg. §1.482-1(a)(2). It also addresses the threshold concept of how to determine whether the loan represents bona fide debt. The second IPU focuses on the exception in Treas. Reg. §1.367(a)-3(b) for outbound transfers of foreign stock and the reporting requirements necessary to meet that exception. The third IPU discusses the issues surrounding changes in participation in a CSA under Treas. Reg. §1.482-7.

The IRS began the IPU program to provide IRS staff with explanations of general international tax concepts, as well as information about specific types of transactions. IPUs are not official pronouncements of law or directives and cannot be used, cited, or relied upon as such. IPUs provide a general discussion of a concept, process, or transaction and are a means for collaborating and sharing knowledge among IRS employees. IPUs may not contain a comprehensive discussion of all the pertinent issues, law, or the IRS's interpretation of current law surrounding that issue. In addition, IPUs do not limit an IRS examiner's ability to use other approaches when examining issues. Finally, IPUs and any nonprecedential material (such as private letter rulings, determination letters, or Chief Counsel advice) that may be referenced in an IPU may not be used or cited by taxpayers as precedent.

While not authoritative, the IPUs discuss topics that are of interest to the IRS and may be areas of focus by international examiners.

Contacts

Philippe Penelle
Deloitte Tax LLP
Washington, DC
ppenelle@deloitte.com

David Varley
Deloitte Tax LLP
Washington, DC
dvarley@deloitte.com

Joseph Tobin
Deloitte Tax LLP
Washington, DC
jtobin@deloitte.com

Jamie Hawes
Deloitte Tax LLP
Washington, DC
jhawes@deloitte.com

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United States



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