



IRS introduces campaign aimed at captive service providers

Global Transfer Pricing Alert 2019-016

The IRS's Large Business and International division (LB&I) [announced](#) on April 16 a new transfer pricing-related campaign that will focus on ensuring that US multinationals pay their captive service providers no more than arm's length prices.

The new campaign, the Captive Service Provider Campaign, will focus on the transfer pricing of controlled transactions involving a foreign captive subsidiary that performs services exclusively for its US parent or for other members of the controlled group. The notice stated that if the prices of such controlled services exceed arm's length prices, the result could be inappropriate shifting of income and erosion of the US tax base. Although the notice did not identify a specific industry or fact pattern, the subsidiaries that would be subject to this campaign presumably perform medium- or high-value functions.

The total number of LB&I campaigns has risen to 53. Since the initial roll-out of 13 campaigns in January 2017, LB&I has considered this program the primary way to promote strategic, efficient, and issue-focused application of examination resources. (For prior coverage, see [Global TP Alert 17-002](#)).

Currently, only two of the 53 campaigns focus on transfer pricing issues -- the Captive Service Provider Campaign and the Inbound Distributor Campaign introduced in January 2017.

Contacts

John Breen (Washington DC)

jobreen@deloitte.com

Kerwin Chung (Washington DC)

kechung@deloitte.com

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