

Transfer Pricing in Ireland.

Ireland Transfer Pricing Firm of the Year 2013 and 2012 -
International Tax Review
Leading business advisers



Why Ireland?

Ireland's attractive features make it a prime business location for many of the world's leading businesses. Ireland has:

- A favourable tax environment.
- A strategic location with easy access to the EMEA region and a time zone between Asia and the US.
- A highly educated workforce and a magnet for top international talent.
- A high concentration of leading multinationals.
- A pro-enterprise environment.
- A low level of start-up regulations and relative ease to establish a business.
- A strong legal framework for the development and protection of intellectual property rights.

Irish taxation system overview

The standard rate of corporation tax is 12.5% which applies broadly to trading profits. The 25% rate applies to passive non-trading income. Certain dividends from EU and tax treaty territories are taxed at the 12.5% rate. In addition to corporation tax, companies in Ireland are subject to capital gains tax, stamp duty, Value Added Tax (VAT) and customs duties.

Transfer pricing

Transfer pricing is concerned with the pricing of transactions between connected companies and is a key issue facing multinational companies that are operating in a global environment of unprecedented complexity. With the rising volume and complexity of inter-company transactions and transfer pricing regimes, companies need to ensure that their transfer pricing policies are addressed as a fundamental part of their global tax management. With the increase in exchange deficits in many countries and the focus on collection of taxes to mitigate those deficits, tax authorities worldwide are now scrutinising transfer pricing methodologies with increasing frequency and imposing strict penalties for non-compliance.

Ireland introduced a formal transfer pricing regime in 2010, the regime applies to companies and Irish branches within the charge to tax on their trading activities in Ireland for accounting periods beginning on or after 1 January 2011.

The law applies to arrangements (broadly any agreement or arrangement whether or not it is intended to be legally enforceable) involving the supply or acquisition of goods, services, money or intangible assets between associated persons where the profits, gains or losses arising from

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Documentation and Revenue scrutiny

There is a formal transfer pricing documentation requirement. Companies are required to have available records for the purpose of determining whether trading profits of a company are computed in accordance with the arm's length principle.

In November 2012, Irish Revenue issued guidance for its proposed Transfer Pricing Compliance Review (TPCR) Programme. The TPCR allows authorised officers from the Irish Revenue to send out notifications to selected taxpayers inviting them to self-review their transfer pricing arrangements and report back within three months. Letters issued under the TPCR have been for a specific accounting period. The initial focus has been on companies within the scope of transfer pricing that filed tax returns for an accounting period ending on December 31 2011. A new round of letters is expected shortly for the year ended 31 December 2012.

Grandfathering of arrangements 2010

The legislation allowed for grandfathering of arrangements where the terms were in place and agreed by both parties before 1 July 2010. Where arrangements between affiliates were grandfathered before that date, the documentation requirements do not apply to these arrangements. To the extent that the fundamental terms of an agreement are amended after 1 July 2010, the transaction will most likely lose its grandfathering status and fall within the remit of the transfer pricing regime.

How we can help

Deloitte Ireland has significant experience in providing businesses with the full suite of transfer pricing services on a worldwide basis with the assistance of our global network of transfer pricing professionals. We have been awarded Ireland Transfer Pricing Firm of the Year in 2012 and 2013 by International Tax Review.

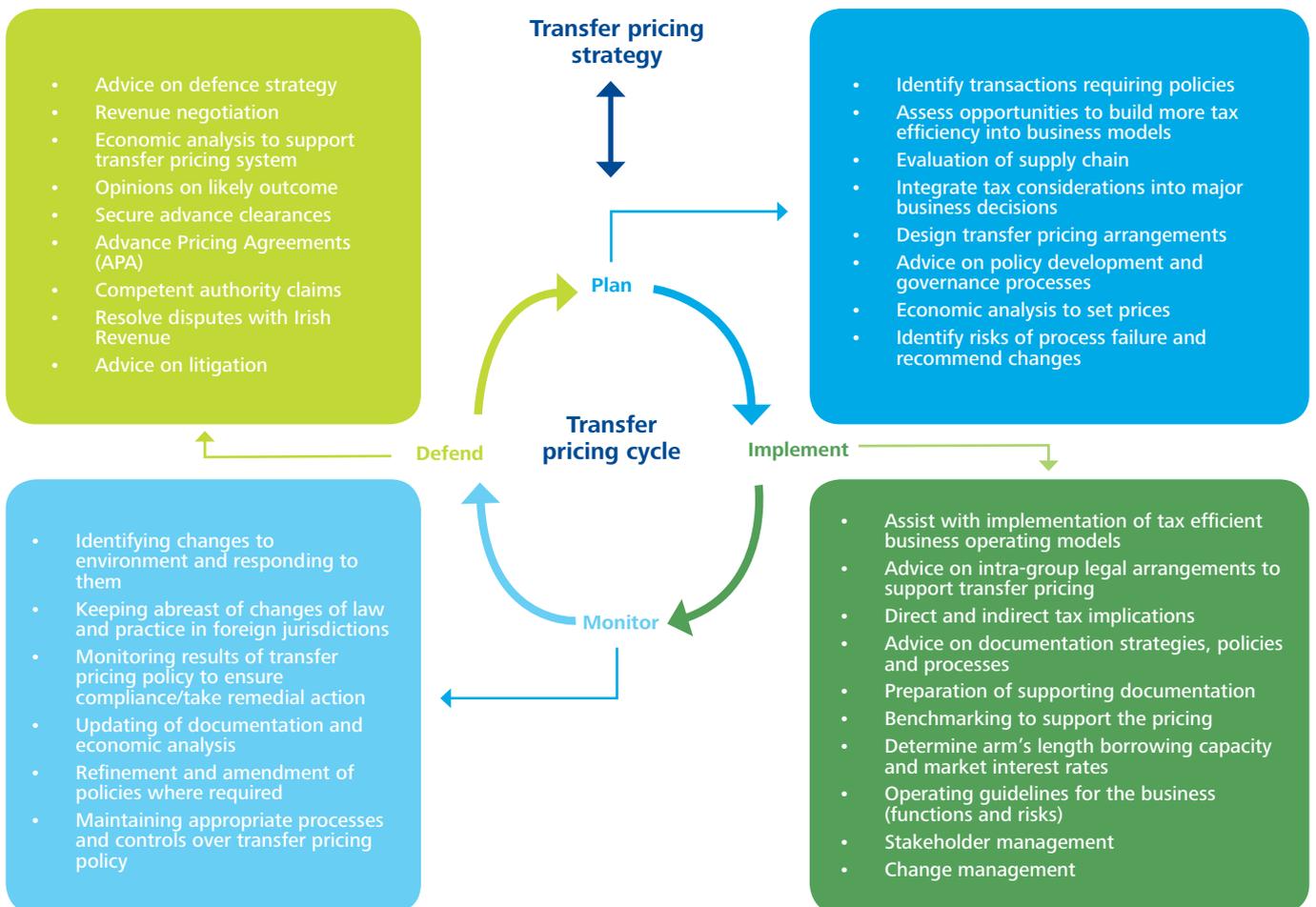
Deloitte member firms have had more specialists listed by Legal Media Group among the “World’s Leading Transfer Pricing Advisors” than any of our competitors, for several years in a row (Euromoney magazine has consistently voted Deloitte as the world’s leading transfer pricing advisers which is a testament to our commitment and ability to deliver value to our clients).

Our services

Deloitte offers our clients:

- Advice on the impact of Ireland’s transfer pricing regime on clients’ operations as well as requirements under other countries regimes.
- Advice on documentation requirements to be met in Ireland and other jurisdictions.
- The preparation of transfer pricing documentation to support the pricing of intercompany transactions including management services, purchase/sale of goods, royalties, lending etc.
- Discussions and negotiations with tax authorities in relation to transfer pricing adjustments.
- Discussions with tax authorities in relation to Advance Pricing Agreements (APAs).
- Advice and implementation of supply chain planning projects to align business objectives with tax optimisation.

Transfer pricing life cycle:



Transfer pricing global documentation

Multinational companies and enterprises no longer view transfer pricing from a unilateral, single-country perspective. Traditional, single-country transfer pricing documentation approaches can be costly, time-consuming and resource-intensive. Today's multinational companies demand flexible solutions that effectively deliver global compliance. We can help you meet these challenges through:

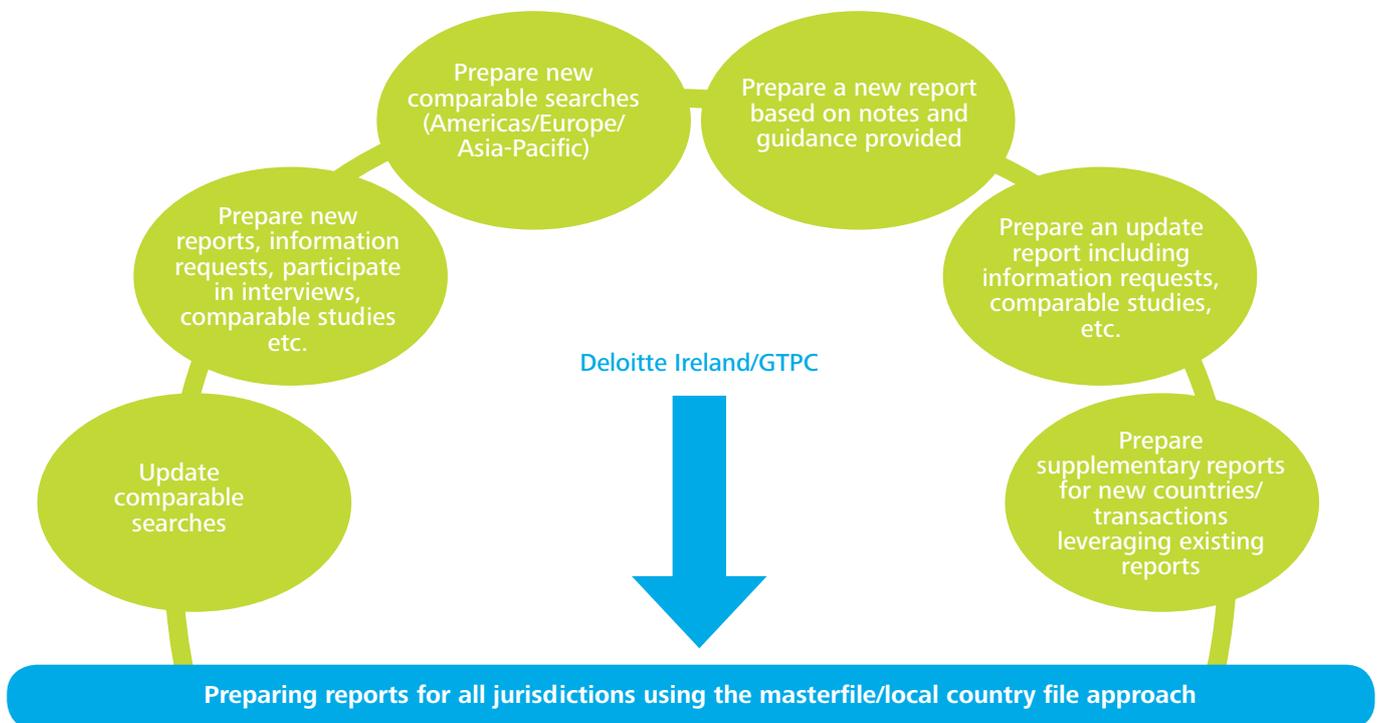
- Scalable, cost effective, multiple country transfer pricing documentation compliance solution.
- Prioritised roadmap for preparing, managing and enhancing transfer pricing documentation that appropriately balances risks and costs.
- Uniform and transparent approach to transfer pricing analysis and documentation across countries and regions.
- Consistently applied methods and tools.
- Centrally coordinated project management.
- Leverages the power of Deloitte's global transfer pricing network for expert local opinions and perspective.

Global Transfer Pricing Centre (GTPC)

Deloitte Ireland, in conjunction with our GTPC in India, can provide a cost effective global documentation service. Documentation will be prepared by a multi-disciplinary engagement team comprised of transfer pricing professionals with backgrounds in economics, accounting and management. Deloitte Ireland manage the process and our team members have experience on the ground in India and work with our GTPC colleagues to provide a seamless service including full US and pan-European documentation, that contains all the core elements as required in the US Internal Revenue Code, OECD Transfer Pricing Guidelines and local country requirements.

Enhanced documentation capabilities with access to multiple databases.

Deloitte Ireland in conjunction with the GTPC – range of services



We are delighted to be recognised again with the Ireland Transfer Pricing Firm of the Year award for 2013 by the International Tax Review

Business Model Optimisation (BMO)

In light of today's dynamic global economic environment and the potential for legislative changes, assessing a multinational's global business model may no longer be an optional exercise. Our BMO team, provides high quality, customised tax and business model transformation services.

Our team is led by Paul Reck, Partner, and comprises of tax professionals with extensive expertise in transfer pricing, international tax and indirect tax and customs who have a proven track record of delivering value added services to clients.

We focus primarily on global supply chain, intellectual property planning, treasury and cash management, and seeking to align business objectives with tax minimisation. Our goal is to help multinationals integrate their operational and tax planning in a scalable and sustainable way to allow business leaders make more effective decisions on an after-tax basis.

Transfer pricing transactions

Transfer pricing affects a very broad and diverse range of intercompany transactions. Whether the transaction is large or small the issues that need to be addressed are fundamentally the same. There is a need for a strategy that considers transfer pricing decisions and documentation requirements to ensure that the transfer pricing tax risk is fully managed. Typical large scale intercompany transactions that generate transfer pricing issues include:

- The establishment of an EMEA or global hub in Ireland to manage and provide services to international affiliates.
- The restructuring of a group's supply chain where there are operations such as manufacturing, R&D and distribution in Asia-Pacific.
- The migrating Intellectual Property (IP) such as brand names or trademarks to Ireland combined with an Irish incorporated but non-resident company and licensing the use of the IP to affiliates worldwide.
- The development of Irish finance structure to facilitate efficient cash repatriation and treasury management for a multinational group.



Our winning team: Paul Reck, Austin McGlade, Gerard Feeney, Liz Donoghue, Antonio Pina. Award presented by Pdraig Cronin, Head of Tax.

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While large scale transactions get the most attention, individual transactions including undocumented transactions and recharges, must also be fully considered to avoid any transfer pricing tax exposure. All businesses need to ask themselves whether, as a supplier or recipient, they are engaging in such transactions which include:

- Cash pooling
- Intercompany loans
- Management services e.g. financial management, human capital management, supply chain management
- Back office services e.g. invoicing, cash collection, managing the AP ledger
- Debt factoring or debt collection
- Investment management
- End of year recharge

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The transfer pricing team in Dublin is led by Paul Reck, a Senior Tax Partner, with over 20 years' international tax experience in Dublin and New York covering a wide range of industries. Paul is assisted by a dedicated team, who each contribute their own area of transfer pricing expertise.



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