Irish Revenue Outlines Transfer Pricing Compliance Review Program

The Irish Revenue on November 26 issued guidance for its proposed Transfer Pricing Compliance Review (TPCR) Program.

Ireland introduced a formal transfer pricing regime for companies within the charge to tax in Ireland on their trading activities for accounting periods beginning on or after 1 January 2011. The first corporation tax returns for companies subject to the new regime were filed in September 2012.

Transfer Pricing Review Program

The TPCR program will allow authorized officers from the Irish Revenue to send out notifications to selected taxpayers inviting them to self-review their transfer pricing and report back to the Irish Revenue within three months. The review will be for a specific accounting period.

The report to be provided to the Irish Revenue based on this self-review will address:

- The group structure;
- Details of transactions by type and associated companies involved;
- Pricing and transfer pricing method for each transaction or group of transactions;
- Functions, assets, and risks of the parties involved;
- List of documentation available or reviewed by the taxpayer; and
- The basis for establishing if the arm's length standard has been satisfied.

In most circumstances, an existing transfer pricing study should suffice. Under the Irish transfer pricing regime, counterparty documentation can suffice when it contains sufficient information relating to the Irish operations and transactions undertaken.

Once the TPCR report is submitted within the prescribed time frame to the Irish Revenue, a post-review letter will be issued. Either no further enquiries will take place or issues will be identified that require further consideration and discussion, to be addressed within the TPCR process. The fact that further enquiries are to be addressed *within the TPCR process* should mean that a formal audit still will not have begun, and that any additional tax will be treated as arising from an unprompted disclosure carrying only mitigated penalties.

Commentary

The proposed new TPCR process should not pose a significant additional burden on taxpayers within the remit of Ireland's transfer pricing regime, in particular when transfer pricing documentation is already in place covering all the requirements outlined above. In addition, the time frame of three months should provide taxpayers with adequate time to ensure that the information required can be gathered and made available.

It should be noted that the process is not a formal tax audit, and that the taxpayer will have the opportunity to make a tax disclosure before any formal audit notification. Such audit notification may commence when the outcome of the TPCR process is not satisfactory from the Irish Revenue's viewpoint.

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