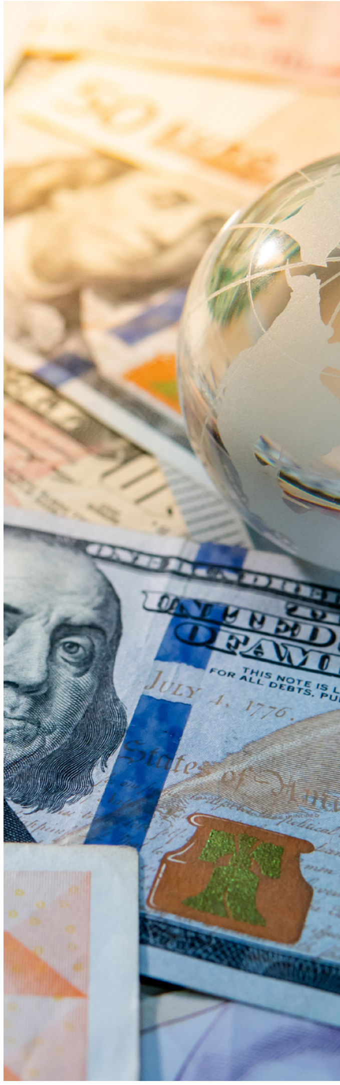
TRANSFER PRICING SERVICES

KBKG has been named one of the world's leading transfer pricing consultancies by International Tax Review. Alex Martin is the transfer pricing practice leader for KBKG.

HOW CAN TRANSFER PRICING HELP YOUR COMPANY?

The cross-border transfer prices of goods, royalties, services, and loans drive how much income tax a multinational company pays by country. Governments are concerned about companies shifting profits offshore, and transfer pricing audits are a high return on investment in over 100 countries worldwide.



We assist US and international companies in establishing, documenting, and defending transfer pricing practices consistent with IRS and international tax authorities' regulations.

While transfer pricing is a contentious tax issue, many US and foreign-owned companies can **generate significant tax benefits through new transfer pricing strategies**.

WHY SHOULD COMPANIES REVIEW TRANSFER PRICING?

All companies with cross-border operations can be audited for transfer pricing issues in every country where they operate. Compliance is essential, but intercompany pricing also affects a multinational's global effective tax rate, cash flow, and tax Net Operating Loss position.

In our experience, a company's transfer pricing approach can facilitate growth opportunities or serve as an impediment to expansion. A review of transfer pricing strategies after a business restructuring or during significant market changes, including COVID-19, is a valuable exercise.

WHAT TRANSFER PRICING SERVICES DOES KBKG PROVIDE?

- US, OECD, and Global Transfer Pricing Documentation
- "Masterfile" and "Local File" Documentation
- Documentation Report Annual Updates"
- Transfer Pricing Comparable Benchmarking
- IRS, State, and Foreign Audit Defense
- Mergers & Acquisitions, Due Diligence, and Uncertain Tax Position Reviews
- Business Restructuring
- Advance Pricing Agreements – Unilateral and Bilateral

WHY CHOOSE KBKG?

KBKG has the expertise of the largest firms but with a focus on tax savings. With our economist-led team, we understand how the IRS and international tax authorities approach audits and help clients mitigate risks accordingly. Moreover, we implement practical transfer pricing strategies to improve company cash flow and reduce global effective tax rates.

KBKG IS A PREFERRED PROVIDER FOR CPAS AND ATTORNEYS

We work seamlessly with our CPA and attorneys to complement tax and accounting services. Our practical approach to transfer pricing is designed to support client services provided to multinationals.

We regularly host CPE and CLE transfer pricing webinars to give service providers the tools to identify, assess, and discuss transfer pricing issues with clients from a practical perspective.

WHERE DO WE START?

Alex Martin leads the KBKG transfer pricing practice. He has over 25 years of transfer pricing experience as an economist, working both in the US and internationally. We welcome your calls and correspondence to start discussions.

KBKG is a national tax specialty firm with offices across the U.S. To see if you qualify, call us or visit KBKG.com/qualify for more information.

ALEX MARTIN | alexander.martin@KBKG.com | +1.313.636.2821 | KBKG.COM

TRANSFER PRICING FOR MULTINATIONAL COMPANIES

KBKG
SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
Tax Credits • Incentives • Cost Recovery

WHAT IS TRANSFER PRICING?

Transfer pricing rules govern the cross-border prices of goods, services, royalties, and loans charged within multinational companies. As such, transfer prices drive how much income tax is paid by a country. Transfer pricing is often a significant tax risk for multinational companies. However, many companies can optimize transfer pricing to reduce their global effective tax rate.

WHO CAN BENEFIT FROM TRANSFER PRICING SERVICES?

Companies who qualify:

- Any US company with foreign subsidiaries.
- Any foreign-owned company with a US subsidiary.

Our focus is on Tax Savings Opportunities with the following companies:

- Profitable companies with NOLs in certain countries. Global revenues > $25M. See example 1 below.
- Multinational companies with global revenues > $50 million. See example 2 on the next page.

We also prepare U.S. and international transfer pricing documentation, documentation report updates, and benchmarking studies for all multinational companies.

EXAMPLE 1: MULTINATIONAL COMPANY UTILIZING TAX NET OPERATING LOSSES

A profitable US parent company sells $7 million in products to its foreign subsidiary that is incurring losses. The company relies upon a "Cost-Plus" policy.

Strategy: After preparing a transfer pricing analysis, KBKG recommends reducing transfer pricing on cross- border inventory sales by $3M

BEFORE TRANSFER PRICING STUDY

US Parent Company
$5 milion taxable profit @ 21%

$7 million
inventory sales

Foreign Subsidiary
$2 milion tax loss @ 30% rate

AFTER TRANSFER PRICING STUDY

US Parent Company
$2 milion taxable profit @ 21%

$4 million
inventory sales

Foreign Subsidiary
$1 milion taxable profit @ 30%

Current State Taxes Payable	Future State Taxes Payable	Annual Tax Savings
US - 21% x $5m = $1.05m	US – 21% x $2m = $420,000	
Foreign taxes (loss) = $0	Foreign taxes 30% x $1m = $300,000	
Total Taxes = $1.05 m	**Total taxes = $720,000**	**$330,000**

Reducing inventory transfer prices by $3 million leads to **$330,000 of annual tax savings!**

- This strategy is also applicable to foreign-owned companies with US subsidiaries.
- This strategy is also applicable for royalties and service charges.
- Reduces transfer pricing audit risk in foreign country. Tax authorities regularly challenge lossmaking subsidiaries.

KBKG is a national tax specialty firm with offices across the U.S. To see if you qualify, call us or visit KBKG.com/qualify for more information.

TRANSFER PRICING FOR MULTINATIONAL COMPANIES

KBK G
SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
Tax Credits • Incentives • Cost Recovery

EXAMPLE 2 – OPTIMIZE TRANSFER PRICING FOR US TAX REFORM

US based C-Corp with global revenue of $50M. Historically minimized their tax footprint in the US (due to old 35% tax rate). New investments in R&D and manufacturing have justified increasing transfer prices for goods, royalties and services to subsidiaries

Strategy: Increase transfer prices to capitalize on lower US tax rates (21%) through tax reform. Higher transfer prices generate more deductions overseas at higher rates.

- A $1 million increase in goods, royalties and/or service charges to subsidiary in a 30% tax jurisdiction yields income tax savings of $90,000 annually ((30%-21%) x $1m)
- This strategy also applies to foreign-owned companies with US subsidiaries

Additional benefit - New incentive for C-Corp exporters, Foreign Derived Intangible Income ("FDII"):
allows some export income, including goods, royalties and services, to be taxed at a rate of 13.125%.

- Increases to transfer prices could lead to even higher tax savings: e.g. (30% - 13.125%) = **$168,750 annual savings.**

HOW LONG DOES IT TAKE?

Our transfer pricing projects normally require 45-60 days, which depends on the availability of management for interviews. In audit situations, the timeline can be shorter.

KBKG SERVICES & DELIVERABLES

Depending on the situation, KBKG services and deliverables can include:

- U.S., OECD, and International Transfer Pricing Documentation Study – Full Scope
  - Penalty protection document
  - Requires interviews
- Transfer Pricing Documentation Annual Updates
- Transfer Pricing Benchmark Analysis – Limited Scope
  - For lower-risk situations
  - Used to target a profit margin earned by a subsidiary company
- Transfer Pricing Planning & Consulting
- Transfer Pricing Audit Defense
- Advance Pricing Agreements

KBKG is a national tax specialty firm with offices across the U.S. To see if you qualify, call us or visit KBKG.com/qualify for more information.