

Transfer Pricing

Are you ready?



As recently announced in the 2010 Finance Act, from the 1st January 2011, Ireland will adopt new transfer pricing rules, based on the existing OECD transfer pricing guidelines.

You need to consider the implications of the new rules and you may be required to take action before 1st July 2010.

What is Transfer Pricing and who does it apply to?

Transfer pricing applies to 'trading' transactions between associated parties – generally, multinational enterprises but the legislation does not exclude domestic activities. The legislation provides that 'arms length' principles must be applied in pricing transactions with associated companies. Typically, it can include pricing for tangible goods and services and royalties for intellectual property.

If you operate in a group structure you will already be familiar with transfer pricing rules in foreign jurisdictions. The implementation of Irish transfer pricing rules may now only serve to raise the Irish tax base for the Irish company and formalise the associated transfer pricing documentation requirements for the Irish company.

The new rules apply to groups of companies meeting the following criteria:

- Over 250 employees and;
- Turnover greater than €50m or Assets greater than €43m

The criteria is applied on a global basis so foreign owned Irish subsidiaries should consider if globally their group meets this criteria.

Actions before 1st July 2010

- A Grandfathering provision applies which means that the rules do not apply to arrangements agreed and in place before 1st July 2010
- An inventory of these arrangements should be agreed and documented prior to 1st July 2010.

Effective date

Transfer Pricing Rules apply in full to financial periods beginning on or after 1 January 2011.



Next steps?

Companies, falling within the scope of the new rules, should review all existing intercompany transactions, prepare an inventory of arrangements and document the status of these arrangements prior to 1st July 2010. Companies should also consider any planned intercompany transactions and whether they are likely to fall under the scope of the new rules.

Who to contact?

To discuss the implications of this change for your business or if you need assistance identifying your company's transfer price exposure, contact Brian Feeney at bfeeney@rbk.ie