

Reviews on tax matters associated with transfer pricing principles

We offer a range of services for tax matters which draw upon transfer pricing principles. These include:

- Permanent establishment (PE) reviews
- Branch profit attribution
- New Controlled Foreign Company (CFC) rules and Significant People Function (SPF)/ Key Entrepreneurial Risk Taking (KERT) analysis
- Substance reviews
- Patent Box regime

PE review

Permanent Establishments (PE's) are front and centre of the new transfer pricing world. Advice on approaches to both threshold and attribution are on the move and are interconnected with the developments on the Base Erosion Profit Shifting (BEPS) agenda.

We can offer you advice on PE's on a range of areas: whether from a risk assessment point of view – do I have a PE and if so how much it would cost me?, to an opportunity point of view – for example performing a branch structure analysis and how much it could save your organisation.

For more information on PE's, read our publication [Permanent establishments 2.0: The heart of the matter](#).

Branch profit attribution

Once it has been established that the operations of a non-UK resident create a taxable presence in the UK (i.e. a PE) – how much of its profits would be attributed to the PE and would be taxable in the UK?

We can advise you on the appropriate approach, in accordance to the OECD's recommendations, that should be used to attribute profits to this PE in a manner that's consistent with the arm's length principle as set out by the OECD Guidelines.

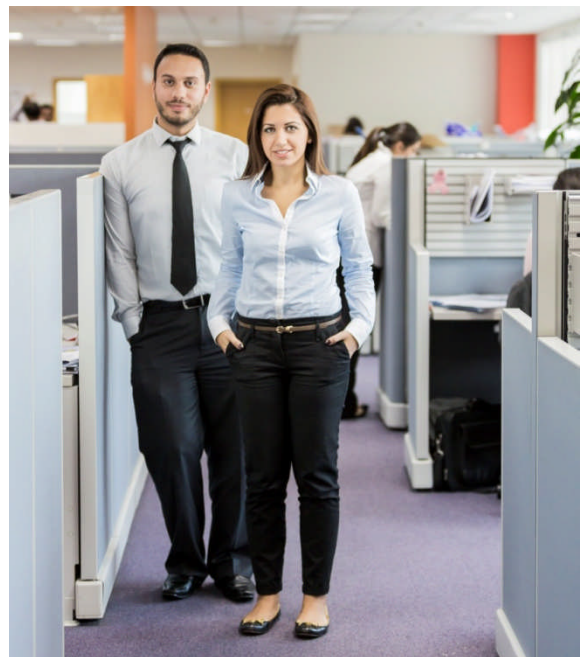
CFC rules and SPF/KERT analysis

With the new CFC rules having taken effect from 1 January 2013, UK businesses with overseas subsidiaries are subject to a new set of provisions to determine if the profits from these operations are chargeable to UK corporation tax.

The new rules include a long list of exemptions/safe harbours. But if these do not apply, an SPF/KERT function analysis needs to be undertaken to determine if and how much of the CFC profits would be chargeable to the UK corporation.

This SPF/KERT analysis has to be based on the principles set out in the OECD Report on the Attribution of Profits to PEs.

We work with clients to obtain, when possible, CFC clearance, and if not, to quantify the CFC profits that will be subject to UK taxation.



Substance review

Are your transfers pricing arrangements still reflective of what is actually happening on the ground? Or have your contracts and operations over time divorced from the actual value creation?

Tax substance for intra-group transactions is one of the key areas of debate of international taxation and is an area of focus under the BEPS Action Plan.

Our substance review offering can help you to assess the risks that your organisation faces on this controversial issue. For more, please read our [Substance & transfer pricing](#) publication.

How we can help you

Our transfer pricing specialists understand the issues, challenges and opportunities that each of these topics could represent to your organisation. We'll work with you to deliver practical, technical and innovative solutions.

Contact us

If you would like to discuss any of these issues more in detail, please contact:

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Patent Box regime

Transfer pricing can act as an integral part of the implementation of some tax incentives that the UK tax system has recently introduced.

One of these incentives is the new Patent Box regime for qualifying intangible assets. This regime incorporates a number of transfer pricing concepts and specifically includes reference to the use of the OECD Transfer Pricing Guidelines for the determination of notional marketing royalties and notional royalties.

We've worked on many different Patent Box negotiations which have been agreed by HMRC.

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