

BarZvi & BenDov

LAW OFFICES

Transfer Pricing
Associates

Transfer Pricing for

INTRA- GROUP FUNDING



YOUR BRIDGE TO WORLDWIDE TRANSFER PRICING SERVICES

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AWARDS

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INTRODUCTION

Intra-group funding arrangements have long been used as means for centralization of a group's cash and currency, as a mean to control and risk management, and as the preferable way to fund certain transactions or the incorporation of new subsidiaries within the group. Regarded as too complex, tax authorities have in the past overlooked the matter of intra-group funding.

Recently, however, the transfer pricing aspects of intercompany financial arrangements have come under detailed and ever growing scrutiny. Under current legislation and rules, from a tax and transfer pricing perspective, financial arrangements between related parties must be transacted on an arm's length basis, taking into account the parties' ability to receive funding or guarantees in the market.

The global credit squeeze places greater pressure for multinational enterprises (MNE) to achieve greater efficiency in their funding arrangements – and still to comply with tighter rules in a growing number of jurisdictions. As MNEs seek to restructure their funding arrangements, it is up to the management to ensure that the pricing arrangements of intra-group funding and guarantee arrangements have been conducted in accordance with the arm's length principle and applicable local and OECD regulations.

DIFFERENT FORMS OF INTERCOMPANY FINANCING

Intra-group funding relates mainly to loans and guarantees, but also to capital notes, special credit, ForEx swaps, and similar financial transactions. Relying on friendly bank quotes or the headline rates published in newspapers, will not be sufficient, as tax authorities delve deeper into intra-group funding arrangements, seeking to deny deductions on excessive interest payments or collect more tax on insufficient interest payments, and even to re-characterize debt as equity. In several countries, the lack of proper documentation may cause the loan or other financing to be regarded as a capital investment, thus gravely impairing the group's financials.

OUR SOLUTIONS

Bar-Zvi & Ben-Dov's experts have developed a pragmatic approach to addressing these issues and assisting MMEs' in-house treasury team. Our approach is based on global best practice, has been developed in accordance with the OECD Transfer Pricing Guidelines, and will be applicable in each country in which the group is active according to its local regulations.

Our services range from a review of interest or guarantee charges, to designing a transfer pricing policy (in the form of an SOP) which will support your group's treasury policies.

ABOUT US

Bar-Zvi & Ben-Dov is a boutique law firm specializing in transfer pricing and corporate law. Our experts have both legal and financial backgrounds, and held high ranking financial positions in private and public companies. Bar-Zvi & Ben-Dov are the Israeli partners in the global Transfer Pricing Associates network, which encompasses partners in more than 40 countries, and are thus able to provide services all around the globe, with local sign-offs where required. The firm prides itself of its unparalleled 100% success rate in tax audits worldwide.

INTRA- GROUP FUND- ING

Bar-Zvi & Ben-Dov

15 Abba Hillel Rd.
Ramat-Gan, 52522, Israel

Tel: +972-3-7522280

Fax: +972-3-6120052

E-mail: main@bbl.co.il