

Strengthening your position Irish Transfer Pricing rules

*What do Ireland's new
transfer pricing rules
mean for the
pharmaceutical
companies?*

Irish Transfer Pricing rules

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Strengthening your position at the negotiating table

The introduction of broad-based transfer pricing rules earlier this year saw Ireland finally join the ranks of countries with transfer pricing legislation. This should be of particular interest for Irish pharmaceutical companies especially those at the heart of multinational supply chains.

The new rules will enhance Ireland's position when negotiating with foreign tax authorities. In the past, the absence of a robust transfer pricing regime has left Ireland with potentially difficult negotiations with other revenue authorities.

To fully maximise this development pharmaceutical companies will need to ensure that all related party arrangements are fully documented. Companies will need to take immediate action to assess and document the position of any existing informal arrangements, before 1 January 2011.

Looking forward, this development strengthens the position of Irish operations in realising benefits from group tax planning and business modelling opportunities.



You can find out a little more at www.pwc.com/ie/transferpricing

Who should you contact?

We would be delighted to share our recent experience and insights with you in this area.

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When will the new rules impact your business?

All accounting periods commencing on or after 1 January 2011 will be impacted.

What types of transactions does this apply to?

- All related party dealings of particularly multinationals in Ireland e.g. sales, purchases, IP licences, royalty payments, contract outsourcing etc
- Transactions which fall under 'grand-fathered' arrangements are not impacted. Grand-fathered arrangements refer to those trading arrangements with related parties where there is evidence that the terms of which were agreed on or before 1 July 2010.
- Non-trading transactions are not impacted - for example interest free loans structures.

Four key steps to know where you stand before 2011!

- Establish a file summarising all related party dealings and intercompany agreements in place at 1 July 2010. Use this file as an ongoing reference to monitor what intercompany arrangements fall within or outside the scope of the new rules.
- Identify what existing arrangements have been grandfathered.

- For any arrangements that fall within the scope of the new regime, assess whether appropriate transfer pricing documentation supporting the arrangement has been prepared elsewhere in the group.
- If no documentation has been prepared, take steps to document the arrangements from an Irish perspective. The guidance note issued by the Irish tax authorities provides details on the expected content, location and timing of preparation of supporting transfer pricing documentation.

Looking forward...transfer pricing climbs up the planning agenda!

Pharmaceutical and medical device companies considering changes to their operations in Ireland will now need to consider the potential impact of Ireland's new Irish transfer pricing regime. This will involve ensuring that any new related party dealings are entered into on an arm's length basis from an Irish perspective as well as from that of the counterparty jurisdiction(s).

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How are we seeing other companies respond to this development?

We have carried out health-checks on existing arrangements for a number of pharmaceutical companies to identify and analyse exposures, priorities and planning opportunities. In addition, we have assisted in the drafting of documentation to support existing and new intergroup arrangements.

We also have significant experience in advising across the following related areas:

- Developing and implementing intra-group business models that lead to appropriate and defensible profit allocations across multinational pharmaceutical groups.
- Preparing benchmarking studies for royalty rates, cost plus type arrangements, inter-company pricing and many other types of inter-company arrangements
- Negotiating with Revenue in relation to settlement of tax controversy issues, including correlative adjustments, Mutual Agreement Procedures and Advance Pricing Agreements.