

Transfer Pricing Aspects of Intra-Group Financing

Raffaele Petruzzi

 Wolters Kluwer



Eucotax Series

Transfer Pricing Aspects of Intra-Group Financing

By
Raffaele Petruzzi

For corporate managers, maximization of the profits and the market value of the firm is a prime objective. The logical working out of this principle in multinational enterprises has led to an intense focus on transfer pricing between related companies, principally on account of the very attractive tax advantages made possible. Inevitably, numerous countries have established transfer pricing legislation designed to combat the distortions and manipulations that are inherent in such transactions. This important book, one of the first in-depth analysis of the current worldwide working of transfer pricing in intra-group financing and its resonance in law, presents the relevant issues related to loans, financial guarantees, and cash pooling; analyses an innovative possible approach to these issues; and describes new methodologies that can be implemented in practice in order to make intra-group financing more compliant with efficient corporate financing decisions and the generally accepted OECD arm's length principle.

Comparing the tax measures implemented in the corporate tax law systems of forty countries, this study investigates such aspects of intra-group financing as the following:

- corporate finance theories, studies, and surveys regarding financing decisions;
- application of the arm's length principle to limit the deductibility of interest expenses;
- impact of the OECD's Base Erosion and Profit Shifting (BEPS) project;
- transfer pricing issues related to intra-group financing;

- credit risk in corporate finance;
- rationales utilized by credit rating agencies; and
- the assessment of arm's length nature of intra-group financing.

The author describes ways in which the application of the arm's length principle can be strengthened and how the related risk of distortion and manipulation can be minimized. The solutions and methodologies proposed are applicable to any business sector.

Given that determination of the arm's length nature of transactions between related companies is one of the most difficult tasks currently faced by taxpayers and tax administrations around the world, this thorough assessment and analysis will prove extraordinarily useful for in-house and advisory practitioners, corporate officers, academics, international organizations, and government officials charged with finding effective responses to the serious issues raised. In addition to its well-researched analysis, the book's comparative overview of how loans, financial guarantees, and cash pooling are currently addressed by OECD Member States and by their national courts is of great practical value in business decision making.

Table of Contents

About the Author

Foreword

Preface

List of Abbreviations

List of Figures

List of Tables

Introduction

CHAPTER 1

Corporate Financing Decisions and Related Tax Issues

CHAPTER 2

Transfer Pricing Issues Related to Intra-Group Financing

CHAPTER 3

Assessing the Arm's Length Nature of Intra-Group Financing: A New Approach

APPENDICES

APPENDIX I

Debt Ratios (Median Values) of European Non-Financial Corporations in 2013

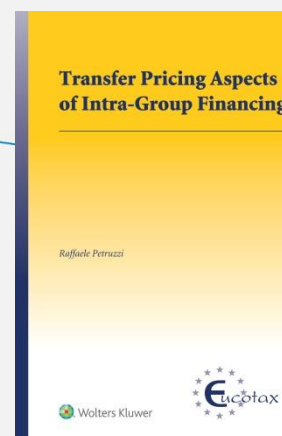
APPENDIX II

Debt Ratios (Interquartile Values) of BB Rated European Non-Financial Corporations in 2013

Bibliography

Table of Cases, Rulings and Guidelines

Index



Eucotax Series

Transfer Pricing Aspects of Intra- Group Financing

By
Raffaele Petruzzi

2016, 336pp, Hardback
ISBN: 978-90-411-6732-3
Price: €135.00