

Transfer Pricing

Work anywhere, together

As the dial shifts toward enabling work from anywhere as a commercial opportunity, companies are developing operational guidance to manage the anticipated increase in employee demand to work remotely across borders on a more permanent basis.



This puts transfer pricing at the heart of compliant international remote working guidance because employees' location and role drive companies' profits (tax base). Employees' desire to work remotely from other countries

means companies may have to allocate profit to so-called permanent establishments in those locations, leading to additional compliance efforts and changes in the global tax bill.



Your challenges

Because transfer pricing is often a key aspect of a multinational's tax strategy, managing tax and transfer pricing matters plays an important role in informing an organization's decisions. Questions that should be addressed include:

- What profits will your company attribute to permanent establishments created by international remote workers? How will this change the tax paid globally?
- Will your company's transfer pricing model (and therefore tax footprint) need to change if they allow international remote working on a more permanent basis?
- What additional operational and compliance requirements are needed to monitor and document employees' contribution to profit over time?
- How will this topic be managed with tax authorities? Proactively? During tax audits? What documentation will be available to support your chosen transfer pricing?



How KPMG can help you

To help you shape operational guidance and address transfer pricing proactively, or as specific cases arise, we can:

- Lead client workshops targeted to specific teams (e.g., Tax / HR), or on a multidisciplinary basis to raise awareness and guide the assessment of opportunities and risks linked to international remote working.
- Support clients in identifying when working remotely across borders on a larger scale may be (tentatively) permitted/rejected based on criteria such as the employee's role in the value chain or a country's transfer pricing/tax environment.
- Assess transfer pricing implications for individual cases such as when an employee with global responsibilities requests remote working from a specific country.
- Help mitigate past and/or existing risks for employees working remotely in a different country.
- Advise on what profit to allocate to permanent establishments created by remote-working employees.
- Advise on potential changes to a group's transfer pricing model in the case of more widespread international remote working.
- Develop and/or review operational guidance for clients to manage this topic in practice (e.g., policies, processes, documentation, etc.).
- Prepare transfer pricing documentation to support and/or defend profit of companies with international remote workers in line with the OECD / country transfer pricing requirements.
- Help clients obtain Advance Price Arrangements and/or rulings to obtain certainty in specific countries on their chosen transfer pricing policies for international remote working arrangements.

Your benefits

- **Understanding** of the global tax burden
- **Reduction** of transfer pricing-induced tax risks
- **Reduction** of transfer pricing-induced compliance costs
- **Clarity** on how prices should be set
- **Compliance** with local laws



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