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TRANSFER PRICING

Due to changing regulatory standards, transfer pricing and related documentation requirements have become an increasingly important focus for Luxembourg companies.

For Luxembourg tax purposes, companies are required to adhere to the arm's length principle when entering into diverse commercial and financial transactions with associated companies.

Under the arm's length principle, transactions entered into between associated enterprises are compared to similar transactions between unrelated entities with a view to determine acceptable transfer prices.

Transfer pricing inevitably exerts pressure on taxpayers to find a balance between a comfortable level of security and the costs for the preparation of sound transfer pricing documentation.

In practice, Luxembourg companies should screen major intra-group transactions in order to identify issues that could raise suspicion on the part of the Luxembourg tax authorities and assess the magnitude of tax risks.

However, in a changing international tax environment, companies should integrate transfer pricing documentation in their wider tax strategy and use it as a means to reflect the business rationale behind the corporate structure and intra-group transactions. In fact, sound transfer pricing documentation will make existing and new investments even more robust and immune to challenges by the Luxembourg and foreign tax authorities.

We assist our clients with the preparation of transfer pricing documentation to substantiate the arm's length character of their intra-group transactions and to mitigate related tax risks.

Our Transfer Pricing services include, in particular, the determination of arm's length prices/remuneration in regard to:

- Financing activities (i.e., determination of financing margins)
- Interest rates on a wide range of debt instruments (e.g., shareholder loans, convertible bonds)
- Fund management services
- Intra-group services
- Debt/borrowing capacity
- Valuation of tangible and intangible assets
- Attribution of profits to a permanent establishment and its head office

We further assist our clients with the preparation of Master Files in accordance with new OECD guidance as required by several foreign jurisdictions.




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WE LOOK BEYOND THE HORIZON
TO HELP YOU PLAN TODAY
FOR TOMORROW'S CHALLENGES

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