

COVID-19 and transfer pricing impacts

The impact of COVID-19 on multinationals is expected to be structural and massive, both in terms of profitability but also in terms of organisation, supply chain and value chain. Whilst cash is certainly the immediate key area of concern and focus for finance and tax departments, adjustments to global transfer pricing policies will have to be considered in the short term. Such adjustments are made necessary as transfer pricing policies are typically suited to a normal course of business; they are not designed to cope with extraordinary changes in revenues or costs.

A lack of control of transfer pricing policies will likely have immediate negative consequences, notably increased tax costs and risks or a suboptimal allocation of (shrunken) financial resources among group companies. While the OECD may provide some guidance, the required decisions will need to be made in the likely absence of any specific insights from individual countries' tax laws, making decisions even more complex.

How Accuracy can help

In this context of economic and legal uncertainty, the best approach is to rely on sound economic and financial analyses to arrive at bespoke solutions that are operationally implementable, financially optimal and fiscally acceptable around the world. Classic benchmarks and standardised approaches may not suffice, or may prove wrong altogether.

Accuracy brings together professionals with a wealth of backgrounds and competencies, including economists, accounting & finance professionals, and transfer pricing experts. Our multidisciplinary teams can help to identify the required solutions in these extraordinary times. Economic and financial techniques, not commonly used in transfer pricing, but used on a daily basis by Accuracy in advisory, M&A, or litigation contexts, may well provide the necessary insights.

For example, we can:

- estimate the COVID-19 financial impact on group companies, based on a combination of forecasting techniques (used in financial advisory) and “but-for” scenario simulations (used in litigation), and recommend risk-based transfer pricing allocations of the COVID-19 “lost profits” between group companies;
- estimate the likely financial impact of COVID-19 on benchmarks (products, IP, services) used by the group to set/test prices and margins, based on the most up-to-date external information available at country, sector or listed peers level (techniques used in economic and financial studies);
- use the COVID-19 crisis as a stress test to assess the flexibility, strengths and weaknesses of existing global transfer pricing policies.

About Accuracy

Accuracy is a wholly independent international consulting firm providing advice to company management and shareholders for their strategic or critical decisions, notably in transactions, disputes and crises.

Accuracy's strength is to connect strategy, facts and figures. Accuracy's teams are international and multicultural, combining various skills to provide bespoke services to our clients. We recruit consultants from the best.

Accuracy is present in 13 countries in Europe, North America, Asia, Middle East and Africa and leads engagements all over the world.

*All Accuracy Partners are available to discuss your needs
and design an appropriate solution with the relevant experts.*