SJSU College of Business
MST Program

Class: BUS 225U - Fundamentals of Transfer Pricing

Professors: Daniela Ielceanu, Ph.D. and Matthew Haag, Ph.D.

Summer 2016

Objective: The course objective is to introduce students to the fundamental principles of intercompany pricing and applications of transfer pricing methods to related party transactions under U.S. transfer pricing regulations and OECD Transfer Pricing Guidelines, and to present the foundations of economic analysis of real world intercompany transactions of multinational corporations.

Reading assignments: Reading assignments will be taken from:

(i) various articles
(ii) OECD Transfer Pricing Guidelines
(iii) US transfer pricing regulations (students can access via RIA, CCH and BNA).

Because new developments related to transfer pricing arise frequently, it is likely that the reading list will be augmented or otherwise revised during the term. For your convenience, we have included a bibliography of recommended readings and a list of court cases.

Grading: Grading will be based on:

- 40% for at home assignments (5 homework assignments)
- 20% for in class team presentations (groups of 5 students will be formed and each student will present twice during the terms of the class, on behalf of her/his team)
- 40% on final in-class evaluation
- 5% extra credit for participation in finale exam debrief

Plus/minus grading is used.

The date of the final exam is August 3, 2016.

University Policies

Academic integrity

Students are expected to be familiar with the University's Academic Integrity Policy. Your own commitment to learning, as evidenced by your enrollment at San José State University, and the University's Academic Integrity Policy requires you to be honest in all your academic course work. Faculty members are required to report all infractions to the Office of Student Conduct and Ethical Development. The policy on academic integrity and other resources related to student conduct can be found at http://www.sjsu.edu/gup/syllabusinfo/#AcademicIntegrity.

All work you do must be your own work. If your work includes anything you are representing as your own which is not your own, you will receive zero points for the assignment and a referral to Judicial Affairs will be required. Be sure to read the SJSU Academic Integrity Policy and do the right thing. When in doubt, ask your instructor.

Campus Policy in Compliance with the American Disabilities Act

If you need course adaptations or accommodations because of a disability, or if you need to make special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible, or see me during office hours. Presidential Directive 97-03 requires that students with disabilities requesting accommodations must register with the DRC (Disability Resource Center) to establish a record of their disability. Special accommodations for exams require ample notice to the testing office and must be submitted to the instructor well in advance of the exam date.

Other University Policies of Relevance to Coursework - http://www.sjsu.edu/gup/syllabusinfo/

Schedule: The current class schedule with assignments is as follows:

Class #1

Date: June 22, 2016, 6pm – 10pm

Instructor: Daniela Ielceanu

Topics: Transfer pricing in the press; Overview of transfer pricing regulatory environment; the arms' length principle

Reading materials:

1.1 Select news article
1.2 OECD TP Guidelines, Chapter I
1.3 OECD TP Guidelines, Chapter II (Part I)
1.4 Treas. Reg. §1.482-1
1.5 Corporate Business Taxation Monthly, "Transfer Pricing Comparability: Concepts, Methods and Applications," Vol. 5 Number 3 (December 2003)

Homework #1: Executive summary to be prepared for reading 1.5, due June 29, 2016 (homework to be presented during class by one student per team)

Class #2

Date: June 29, 2016, 6pm – 10pm

Instructor: Matthew Haag

Topics: Transfer pricing methods for tangible property transfers; intercompany loans, and comparability analysis

Reading materials:

2.1 OECD TP Guidelines, Chapter II (Part II and Part III)
2.2 Treas. Reg. §1.482-2
2.3 Treas. Reg. §1.482-3
2.4 BNA Transfer Pricing Report: "Economic Issues in Intercompany Transfer Pricing," by Clark Chandler, Economic Consulting Services Inc., Washington, D.C. and Irving Plotkin, Arthur D. Little, Inc., Boston, October 20, 1993
2.5 Charles Berry "Berry Ratios: Their Use and Misuse," Journal of Global Transfer Pricing

Homework #2: Executive summary to be prepared for readings 2.4 and 2.5, due July 6, 2016 (homework to be presented during class by one student per team)

Class #3

Date: July 6, 2016, 6pm – 10pm

Instructor: Daniela Ielceanu (pm)

Topics: Transfer pricing methods for intercompany services transactions; and low-value services (BEPS Action Item #9)

Reading materials:

3.1. OECD TP Guidelines, Chapter III
3.2. BEPS – Aligning Transfer Pricing Outcomes with Value Creation – Actions 8-10: 2015 Final Reports pp. 141-160
3.3. Tax Insights from Transfer Pricing: "Aligning transfer pricing outcomes with value creation – revised Chapters I, II, VI, and VII of the OECD Transfer Pricing Guidelines," PwC, October 16, 2015
3.4. Treas. Reg. §1.482-9
3.5. Treas. Reg. §1.482-5

Homework #3: Executive summary to be prepared for readings 3.2 and 3.3 (section on low value-adding intra-group services), due July 13, 2016 (homework to be presented during class by one student per team)

Class #4

Date: July 13, 2016, 6 pm – 10 pm

Instructor: Matthew Haag

Topics: Transfer pricing controversy and case law

Reading materials:

3.1. IRS Transfer Pricing Audit Roadmap, issued Feb 14, 2014
3.2. IRS IDR procedure, issued June 30, 2013
3.3. IRS Rev. Proc. 2015-40 (Procedures for Requesting Competent Authority)
3.4. IRS Rev. Proc. 2015-41 (Procedures for Advance Pricing Agreements)

No homework

Class #5

Date: July 20, 2016, 6 pm – 10 pm

Instructor: Daniela Ielceanu

Topics: Transfer pricing methods for intangible property transactions

Reading materials:

5.1. OECD TP Guidelines, Chapter VI
5.2. Discussion Draft: Revision of the Special Considerations for Intangibles in Chapter of the OECD Transfer Pricing Guidelines and Related Provisions
5.3. Treas. Reg. §1.482-4
5.4. Transfer Pricing International Journal 2013: "Addressing base erosion and profit shifting: An examination of the OECD's recent report," Garry Stone and Rizwan Syed
5.5. Transfer Pricing International Journal 2013: "Transfer pricing issues in US business restructurings," Enrique MacGregor, Alvarez & Marsal Taxand

Homework #4: Executive summary to be prepared for 5.4 and 5.5. Due July 23, 2016 (homework to be presented during class by one student per team)

Class #6 – July 23, 2016, 9 am – 1 pm, Instructor: Daniela Ielceanu
July 23, 2016, 1 pm – 5 pm, Instructor: Matthew Haag

Morning Topics: Avoidance of PE (BEPS Action Item #7); and Transfer Pricing Documentation and Country-by-Country Reporting (BEPS Action Item #13)

Reading materials:

6.1. BEPS – Preventing the Artificial Avoidance of Permanent Establishment Statues – Action 7: 2015 Final Report
6.2. BEPS – Transfer Pricing Documentation and Country-by-Country Reporting – Action 13: 2015 Final Report

Afternoon Topics: Transfer pricing methods for cost sharing arrangements

Reading materials:

6.3. Treas. Reg. §1.482-7
6.4. IRS Industry Practice Unit: Pricing of PCT in CSA, issued Dec 23, 2015

Homework #5 TBD due July 27, 2016 (homework to be presented during class by one student per team)

Class #7 – July 27, 2016, 6 pm – 10 pm, Instructor: Matthew Haag

Topics: Intangibles (BEPS Action Item #8); and Cost Contribution Arrangements (BEPS Action Item #10)

Reading materials: See reading materials from Class #6

7.1. BEPS – Aligning Transfer Pricing Outcomes with Value Creation – Actions 8-10: 2015 Final Reports pp. 63-115

7.2. BEPS – Aligning Transfer Pricing Outcomes with Value Creation – Actions 8-10: 2015 Final Reports pp. 161-182

No homework.

Class #8 – August 3, 2016, 6 pm – 10 pm, Instructor: Matthew Haag

Topics: Final exam

Class #9 – August 10, 2014, 6 pm – 10 pm, Instructor: Daniela Ielceanu

Topics: Final exam debrief

MST Program Learning Objectives

Upon completion of the program, students will be able to achieve these:

1. To identify, understand and resolve complex and multijurisdictional tax issues within the context of our global economy and society.
2. To learn and acquire research skills for exploring both familiar and novel areas of the tax law and to communicate the findings using clear terms.
3. To develop conceptual and critical analytic skills with real world applications.
4. To appreciate tax policy issues and foundations of the tax law.
5. To understand the ethical implications of tax practice.
6. To develop skills for effective tax practice including keeping current, interacting with others, and career advancement.