

# SJSU College of Business MST Program

## Class: BUS 225U - Fundamentals of Transfer Pricing

Professors: Matthew Haag, Ph.D. and  
Craig Hook, Directors of Transfer Pricing

Summer 2018

**Course Description:** Introduction to the fundamental principles of intercompany pricing, applications of transfer pricing methods to related party transactions under U.S. transfer pricing regulations and OECD Guidelines, and the economic analysis required for intercompany transactions of multinational corporations. Prerequisites: BUS 223A.

**Course Objectives:** The course objectives are as follows.

- Learn the fundamental transfer pricing principles applicable to related party transactions;
- Understand the basic principles of U.S. transfer pricing regulations and OECD Transfer Pricing Guidelines; and
- Gain an understanding of certain provisions of U.S. tax reform, including GILTI, FDII, and BEAT.

**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 possible that the reading list will be augmented or otherwise revised during the term. For your convenience, we have included a bibliography of required readings and a list of court cases.

**Grading:** Grading will be based on:

- 30% for at home assignments (5 homework assignments)
- 30% for the case study (groups of 2-4 students will be formed and each student will prepare a written component and present during the final class)
  - 20% on written assignment
  - 10% on oral presentation
- 40% for final exam

Final grades will be a +/- letter grade (A, B-, C+, etc.).

The date of the final exam is August 1, 2018.

**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/studentconduct/docs/Academic%20Integrity%20Policy%20F15-7.pdf>

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 one of us as soon as possible. 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.

**Schedule:** The current class schedule is as follows:

#### **Class #1**

Date: June 20, 2018, 6pm – 10pm

Instructor: Craig Hook

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

Reading materials:

- 1.1 OECD TP Guidelines, Chapter I
- 1.2 OECD TP Guidelines, Chapter II (Part I)
- 1.3 Treas. Reg. §1.482-1
- 1.4 Corporate Business Taxation Monthly, "Transfer Pricing Comparability: Concepts, Methods and Applications," Vol. 5 Number 3 (December 2003)
- 1.5 "Transfer Pricing: Perspectives of Economists and Accountants," 2011, by Dr. Dan Axelsen, Dr. Irving Plotkin, Dr. Garry Stone, Stanley I. Langbein, Grant M. Clowery, and R. William Morgan.
- 1.6 "What is the OECD?" The Economist, July 2017,  
<https://www.economist.com/blogs/economist-explains/2017/07/economist-explains-2>

Homework #1 and case study assigned.

## **Class #2**

Date: June 23, 2018, 9 am – 1 pm, Instructor: Matthew Haag  
June 23, 2018, 1pm – 5pm, Instructor: Craig Hook

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

Reading materials:

- 2.1. OECD TP Guidelines, Chapter III
- 2.2. BEPS – Aligning Transfer Pricing Outcomes with Value Creation – Actions 8-10: 2015 Final Reports pp. 141-160
- 2.3. 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
- 2.4. Treas. Reg. §1.482-9
- 2.5. Treas. Reg. §1.482-5
- 2.6. “Functional Analysis and Choosing the Best Method,” 2006, by Valerie Amerkhail

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

Reading materials:

- 2.7 OECD TP Guidelines, Chapter II (Part II and Part III)
- 2.8 Treas. Reg. §1.482-2
- 2.9 Treas. Reg. §1.482-3
- 2.10 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

Homework #1 due at the beginning of class. Homework #2 assigned.

## **Class #3**

Date: June 27, 2018, 6pm – 10pm

Instructor: Craig Hook

Topics: Transfer pricing methods for intangible property transactions (Regulation 1.482-4 and BEPS Action Items #8-10)

Reading materials:

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

- 3.6. BEPS – Aligning Transfer Pricing Outcomes with Value Creation – Actions 8-10: 2015 Final Reports pp. 63-115
- 3.7. BEPS – Aligning Transfer Pricing Outcomes with Value Creation – Actions 8-10: 2015 Final Reports pp. 161-182
- 3.8. “Three Technical Aspects of Transfer Pricing Practice: Distinguishing Methods, Using Statistical Ranges, and Developing Data Sets,” Brian C. Becker

Homework #2 due at the beginning of class. Homework #3 assigned.

#### **Class #4**

Date: July 11, 2018, 6 pm – 10 pm

Instructor: Matthew Haag

Topics: Transfer pricing methods for cost sharing arrangements

Reading materials:

- 4.1. Treas. Reg. §1.482-7
- 4.2. IRS Industry Practice Unit: Pricing of PCT in CSA, issued Dec 23, 2015
- 4.3. The top US tax controversies in 2016 International Tax Review, September 28, 2016.
- 4.4. Court Roundup: Eaton, IRS Disagree on Tax Rules Ahead of Hearing, Bloomberg BNA, January 11, 2018.

Homework #3 due at the beginning of class. Homework #4 assigned.

#### **Class #5**

Date: July 18, 2018, 6 pm – 10 pm

Instructor: Matthew Haag

Topic: U.S. tax reform, Part I (tax reform overview, changes to Section 482, and BEAT)

Reading Materials:

- 5.1 “Offshore Shell Games 2017: The Use of Offshore Tax Havens by Fortune 500 Companies,” Richard Phillips, Matt Gardner, Kayla Kitson, Alexandria Robins, and Michelle Surka
- 5.2 “INSIGHT: BEAT Strikes the Wrong Note,” by Elizabeth J. Stevens and Peter A. Barnes, BNA Insights Transfer Pricing Report, 3/22/2018

Homework #4 due at the beginning of class. Homework #5 assigned.

#### **Class #6**

Date: July 25, 2018, 6 pm – 10 pm

Instructor: Craig Hook

Topics: U.S. tax reform, Part II (GILTI and FDII)

Reading Materials:

- 6.1. US Tax reform and the impact on operating model, PwC podcast, may 1, 2018, <https://www.pwc.com/gx/en/services/tax/transfer-pricing/podcasts/us-tax-reform-and-the-impact-on-operating-models-episode-23.html>

Homework #5 due at the beginning of class. Homework #6 assigned.

**Class #7**

Date: July 28, 2018, 9am – 11 am, Instructor: Matthew Haag  
July 28, 2018, 11 am – 1pm, Instructor: Craig Hook

Topics: Review session and case study check-in.

No homework.

**Class #8**

Date: August 1, 2018, 6 pm – 10 pm  
Instructor: Matthew Haag

Topics: Final exam

**Class #9**

Date: August 8, 2018, 6 pm – 10 pm,  
Instructor: Matthew Haag/Craig Hook

Topics: Case study presentation

Case study due at the beginning of class.