Intercompany effectiveness

A structured approach to forecast, implement, monitor and report intercompany transactions
Your challenges
Managing intercompany transactions presents you with an array of challenges, from contending with complex reporting and regulatory requirements to the inherent difficulties of operating effectively across global markets.

Why now
There is an increased focus on transparency, substance and consistency of intercompany transactions. Closer integration of the tax function with business and operational strategies will be crucial to mitigating tax risks and the increasing and costly reporting requirements.

Bottom line impact
Companies that address these challenges effectively tend to engage in intercompany transactions with clear guidance, often pay accurate taxes or realize less expensive costs of sales. Further, they may also incur less legal and compliance costs, all which add to the business value of the transaction and affect the bottom line.

Benefits of Intercompany Effectiveness Services

Drive business value – We help you develop more accurate transfer pricing so that you have a stronger understanding of the consequences of intercompany transactions, reduced compliance costs and more robust financial and tax reporting. Accurate transfer pricing often determines the economic value of an intercompany transaction and helps you make more informed decisions.

Manage compliance and risk – We help you develop and implement your intercompany policies that provide you with more transparent and consistent transfer pricing, as well as better access to data, so that you may provide more timely responses to inquiries by tax authorities. This helps you mitigate risk for transfer pricing penalties.

Provide efficiency – We help you standardize processes for executing transfer pricing, establish overall principles and controls to deliver more transparency into the transaction, and then document both processes and results. We also help you align internal processes, pricing, technology, as well as policies and governance.

Our approach
Our intercompany effectiveness (ICE) approach provides a structured and scalable framework to help you align business and operational strategies with processes, pricing, technology, policies and governance structures.

We will help you connect the key operating model elements and interdependencies across the transfer pricing life cycle. This approach will help you forecast, implement, monitor and report intercompany transactions.

Connecting across the transfer pricing life cycle

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Questions for you

Are you experiencing these symptoms?

► Significant year-end or post-year-end transfer pricing true-ups
► Inconsistencies in how intercompany transactions are priced and/or charged out
► Inability to obtain both statutory and consolidated costs and profitability
► Difficulty reconciling intercompany accounts and eliminating intercompany profit in consolidation
► Considerable time spent on internal pricing negotiations
► Difficulty obtaining intercompany transaction detail and segmented profit and loss statements
► Tax compliance risk

Could these be the root causes of your symptoms?

► Lack of or unclear processes for executing and monitoring intercompany transactions
► Insufficient alignment of key business functions (e.g., operations, legal, tax finance, IT, human resources)
► Contribution of each legal entity in the transaction is not characterized properly
► Unreliable performance measurement and decision-making analytics due to inaccurate allocation of revenues and costs
► Key performance indicators (KPIs) and remuneration from intercompany transactions are not aligned
► Enterprise resource planning (ERP) and financial reporting systems are not configured to support tax reporting requirements

ICE services utilize a framework of analyzing the substance of intercompany business practices to help you develop optimal intercompany pricing, and processes and systems to align business strategy, performance management and tax compliance.

Let EY help

We can help you define symptoms, identify root causes, assess impact and propose recommendations that increase efficiency, manage compliance and risk, and improve the business value of your transactions.

With our flexible, scalable and horizontally integrated approach, EY will work with you to develop a sustainable intercompany process that can be implemented across entities and throughout the life cycle.

To assess how our ICE offering can provide benefits to you and your company, please contact us.

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