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TRANSFER PRICING TOUR AROUND THE WORLD/HOT TOPICS

Ben Miller, PhD

Bennett Thrasher, USA

ben.miller@btcpa.net

+16783021483

Next Stop - Canada



Canada – Statutory Update

- Bill C-15 on March 26, 2026
 - Follows Cameco case -> removes statutory distinction between a ‘pricing adjustment’ and a ‘recharacterization’
 - Delineation of transactions must consider economically relevant alternatives
- Penalty threshold increased to \$10m (from \$5m)
 - 10% of revenue still applies
- 30 days to provide report



USA – Mitigating Tariffs via TP

METHODS AND COORDINATION OPPORTUNITIES

Transfer Pricing Methods

Transfer pricing methods include CUP, Resale Price, Cost Plus, CPM, Profit Split, aiming for arm's length pricing.

Customs Valuation Methods

Customs valuation follows a hierarchy emphasizing actual price paid at import, with methods like Transaction Value and Deductive Value.

Coordination Opportunities

Coordination strong documentation aligns methodologies, reduces compliance risks, and optimizes pricing outcomes.

Disaggregating Pricing Components

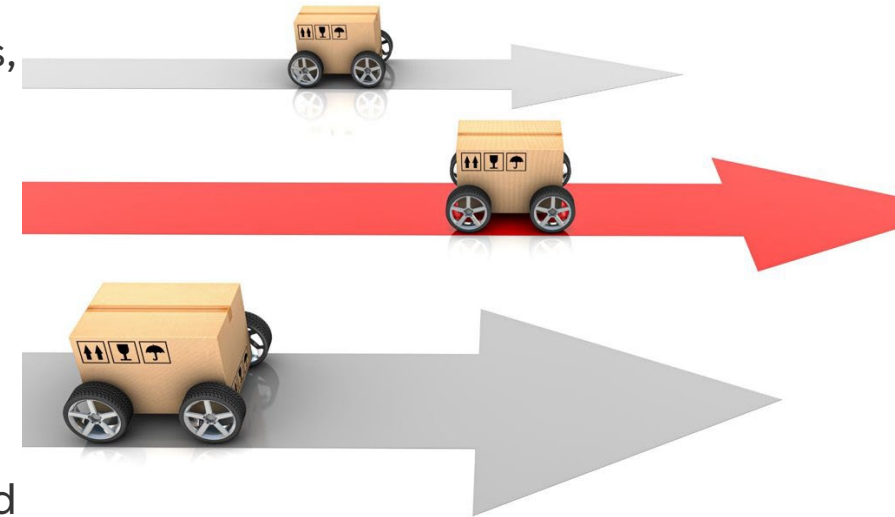
Separating non-dutiable elements with clear contracts helps optimize customs and tax results effectively.

Supply-Chain Optimization

Evaluating supply-chain alternatives may allow for reduced customs duties which enhances business results.

USA – Mitigating Tariffs via TP

- **Scenario:**
 - ✓ US entity imports from a French affiliate
 - ✓ Original transfer price: \$21.3M (includes goods, Brand IP royalties, and service fees for admin. and marketing services)
 - ✓ Customs duty rate **change**: 0.2% to 10%.
- **Problem:**
 - ✓ All components included in customs value → higher duties.
 - ✓ Annual customs duty paid: \$2.13M.
- **Solutions:**
 - ✓ Disaggregate pricing:
 - > Separately invoice non-dutiable elements (service fees and marketing distribution rights).
 - > Only dutiable value (goods + production IP) included in customs base.
 - ✓ Adjust supply chain to avoid high-duty jurisdictions -> reroute products to non-US customers in the Americas



USA – Mitigating Tariffs via TP



- **Transfer Pricing Toolbox in Action:**

1. Determine arm's length service fee via TNMM = 10% profit margin on total services costs
2. Determine arm's length royalty for distribution rights via CUP = 7% of US turnover
3. Determine arm's length royalty for Brand IP via CUP = 3% US turnover
4. Reroute products destined for Canada and Mexico directly to customers in these jurisdictions

- **Results:**

Scenario	Price of Product
Base Case	21m
Separately invoice for routine service	19.5m
Separately invoice for distribution rights	16.5m
Separately invoice brand IP	15.8m
Reroute products directly to CAN/MEX	14.0m

33%
Savings