

## ACCT 7397 – Transfer Pricing: Theory and Practice

SPRING 2018: Class Number 25582

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Office hours	By appointment (I am generally around before the class 5:00-6:00 pm
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### 1 | *Learning objectives*

CFOs of the world's largest companies have ranked Transfer Pricing as one of their top 5 concerns over the last few years. Individuals working in a company which operates across different taxing jurisdictions, whether in different countries or states, will be faced with issues connected to transfer pricing. By understanding transfer pricing principles, the concept of arm's length, and the economic foundations contained within the major transfer pricing laws, regulations and guidelines, a company can optimize its return by meeting the pricing standards of numerous tax authorities while minimizing cross-border audits and controversies. Therefore, my main goals in this class is for the student, upon successfully completing this course, to:

- Know the core principles of transfer pricing as contained in the U.S. IRC Section 482 and the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2010 ("OECD Guidelines") and the OECD Base Erosion and Profit Splitting ("BEPS") 15 Action Plans' impact on companies.
- Understand why and how tax authorities apply transfer pricing rules on businesses.
- Be able to explain the arm's length standard and how tax authorities demonstrate that the arm's length standard is met.
- Explain the specified transfer pricing methods as they relate to tangible goods, services, and intangible and the economic rationale behind each method.
- Understand the concept of the selection of a best method and how it is applied.
- Understand landmark transfer pricing court cases and their implications.
- Discuss how and why multinational businesses undertake transfer pricing.
- Apply their knowledge to a basic real world situation.

Reading assignments will be taken from: (i) class book; (ii) duplicated materials to be handed out in class; (iii) the Internal Revenue Code and Regulations thereunder (which students will be expected to access or have) and (iv) other selected readings. Because new developments related to transfer pricing arise frequently, it is possible that the reading list may be augmented or otherwise revised during the term.

### 2 | *Text and other Materials*

- *"Transfer Pricing: Rules, Compliance and Controversy,"* Marc Levey and Steven Wrappe (4rd edition) ("Levey and Wrappe").
- U.S. Internal Revenue Code ("IRC") section 482 and Treasury Regulations section 1.482-1 through section 1.482-9 (most recent version), referred to as the Regulations or Treas. Reg. in the course outline. The Regulations can be found online through [irs.gov](http://irs.gov) or in the library. There is no need to purchase the Regulations if you are comfortable with the electronic version.

- Additional material will be required that corresponds with each session. The material, where possible, will be made available during class or should be available in the University's Tax Research services or through the public library system.

*Tax Research Services* –All University of Houston students have access to RIA Checkpoint Tax Research Service, and there is a copy of the CCH service in hard copy at the Law Library.

### 3 | *Keys to success*

To successfully master transfer pricing principles you will need to apply the concepts and principles we discuss in class. The principles underlying transfer pricing in the world of taxation are not necessarily straightforward and their application is where you begin to truly understand the concepts and their role in a company's financial position and taxable position.

You are **expected to attend class**. This means that you are expected to arrive on time and to remain for the entire class period. If you do miss a class, it is **your** responsibility to ensure that you obtain any handouts or assignments and understand the material covered in the class missed.

Finally, because we will not be using laptops or phones in class, I request that you not turn on or use your laptops or phones during class.

I also request that no recordings of classes be made. If you have exceptional circumstances requiring recordings, please discuss this with me.

### 4 | *E-mail, BlackBoard and class notes*

I will communicate with you during class, and occasionally via e-mail; you are responsible for the content of these messages. I will use the e-mail account that appears in the class roster to create a class mailing list. This e-mail address is the one that appears with your name in the U of H Directory. If you have changed your e-mail in the recent past you should verify that the e-mail specified is the e-mail you are using. I am looking into using BlackBoard.

### 5 | *Evaluation*

A rigorous academic environment will be maintained in ACCT 7397-06. Grades are earned based on your performance on the following:

Midterm exam	300 points
Paper/Project or Case Study, including presentation	300 points
Final exam (comprehensive)	300 points
<u>Classroom participations</u>	<u>100 points</u>
Maximum possible points	1,000 points

*Paper/Project or Case Study:* A paper is required on a mutually agreed upon topic which demonstrates your understanding of transfer pricing principles and how to apply these principles to a problem. In general, I encourage a student to pick a topic there are

interested in and lends itself to transfer pricing. Given the nature of transfer pricing issues, I require all topics to be approved. If you have trouble picking a topic, please let me know. You will be required to present your paper, so I suggest you pick a topic early. The due dates for the paper appear in the Course Outline.

*Late assignments:* If you hand in an assignment after the due date, you will lose 5 points for every day the assignment is late. After the assignment is discussed in class or returned (whichever is earlier), I will no longer accept the assignment for a grade.

*Participation:* I believe that participating during class allows you to better understand the topics we discuss and improves the learning environment for everyone. During a portion of class each day, I will randomly call on students to answer questions related to the topic of discussion. When you are called on, your grade may be detrimentally affected if you choose not to answer the question, cannot attempt a reasonable answer or are not in class.

Arriving late disrupts flow of the class and is distracting and disrespectful to everyone in the classroom. Individual absences from class do not need to be explained, but if you would like to e-mail me to tell me that you will not be in attendance, you are welcome to do so.

*Midterm and final exam:* This course has a midterm exam and a comprehensive final exam. You are required to take both of these exams. With rare exception, **there are no make-ups for any exam.** Both the midterm and the final will be given in the evening. The date and location of these exams are detailed in the course outline and will be announced in class. Each student is responsible for managing his/her own personal schedule to be present at these exams. If you miss an exam because of an illness or other dire and irreconcilable conflict, you should notify me as soon as possible and present written documentation of your absence (e.g., note from physician). I have final authority to determine if your absence is justified. Your grade will be determined at the time that your absence is excused. Note that this is an individual determination based on the facts and circumstances of each case.

*Grade disputes:* Any concerns or questions about grading on an assignment or exam must be resolved in the week after the graded assignment or exam is returned. This time frame applies whether or not you were present in class to receive your graded assignment or chose to retrieve it from your mail folder. The University of Houston instituted plus/minus grading system. I plan to use letter grades and reserve the right to use a plus or minus grade by exception.

## 6 | *Dropping the course*

The course catalog details both add and drop date deadlines. Students enrolled in graduate classes, at the discretion of the instructor, are allowed to drop the class up until the last day of the term without academic penalty. A student who stops attending without notification or without the submission of a drop form will automatically earn a grade of "F" for the semester.

## 7 | *Academic misconduct*

Academic misconduct includes (but is not limited to) cheating, fabrication, facilitation of academic misconduct by others, and plagiarism, and is a serious academic offense. Neither the Department of Accounting nor I will tolerate academic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the University of Houston's policy on Academic Honesty. By teaching this course, I have agreed to observe the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe the student responsibilities described in that document. If the application of that policy statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

### *Application of departmental policy to assignments in this course*

*Graded assignments (e.g., projects and problems):* Each person's paper will be based on the topic chosen, the depth of research and its presentation, the final written product and the presentation of its content. While you may collaborate with others in conducting your research, I expect you to write your own paper and work independently from others, much like a real-world environment would dictate. All questions about the paper are to be directed to me. Violation of these policies will be treated as an act of scholastic dishonesty. Evidence of non-independent work will be forwarded to the Accounting Department Chair with a recommendation that a grade of "F" be assigned in the course.

*Exams:* Each student is expected to independently complete exams during the designated exam period. No student should refer to other students' exam solutions or discuss the exam with other students during the exam period. Violation of this policy will be treated as an act of scholastic dishonesty. Evidence of non-independent work will be forwarded to the Accounting Department Chair with a recommendation that a grade of "F" be assigned in the course.

## 8 | *Course outline*

The course outline details daily topic coverage, assigned readings before the start of class each day, and problem and project due dates. Note that there is a significant amount of readings to be accomplished before each class. Each date class meets will consist of two segments. Because of its length and detail, the course outline is available from the accounting department until the second class and is incorporated into this syllabus by reference.