

CORPORATE PRACTICE OF TRANSFER PRICING AND TAX EVASION: EMERGING PROBLEMS AND EXISTING SOLUTIONS

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ABSTRACT

Transfer prices play an important role in the billing of services to affiliated companies. By determining the level of these prices, profits can be shifted across the border and thus the total income taxes of the group can be reduced. The individual countries therefore endeavour to ensure that the transfer price for services rendered in their own country is set as high as possible. Here, at the very least, market prices, as negotiated between external companies, must be applied. This leads to the problem of determining transfer prices in line with market conditions. This paper examines possible solutions in the literature and how they are dealt with in practice. It also examines whether companies are motivated at all to influence their transfer prices. In addition to the perspective of companies, this paper also examines the views of governments on how to set transfer prices. A literature review is used to assess the state of research and to present the current transfer pricing practices of corporations. Furthermore, the problems arising with transfer pricing and the approaches found in the literature are presented. Finally, current gaps in research on the topic of transfer pricing are pointed out. This paper aims to reflect the current state of research on transfer pricing issues.

Keywords: Corporate Taxation, transfer pricing, CCCTB.