



Intercompany Agreements

Initiate and manage intercompany agreements, gather e-signatures and analyse your transaction coverage worldwide.

The goal of the Organisation for Economic Cooperation and Development (OECD) under BEPS Action 13 is to increase transparency for tax administrations and promote certainty and predictability for taxpayers through improved transfer pricing documentation and country-by-country reporting (CbCR).

As part of the transfer pricing documentation process, intercompany agreements (ICAs) — contracts that set forth the terms and conditions that govern your enterprise's cross-border, intragroup charges for goods and services — have become increasingly important in this post-BEPS era.

Some local jurisdictions, such as Australia, require ICAs, particularly to support intercompany charges that result in local tax deductions. BEPS Action 13 explicitly mentions the requirement of presenting a list of agreements as part of your Master File documentation. Final guidance on the Local File includes providing copies of all material intercompany agreements concluded by the local entity.

Rules governing ICAs vary globally. Although not required by the IRS, use of ICAs is considered a best practice, and the IRS and other tax authorities routinely ask for them during audit.

ICAs provide the factual substance and economic characterisation that impact the determination of an arm's length condition for your transactions. They set a starting point for discussions with local tax and other regulatory authorities to reinforce your enterprise's transfer pricing documentation and tax position. A dated and signed agreement can also reassure an auditor by providing a clear expression of intent for your enterprise, consistent analysis of how third parties would arrange their contractual relationship and evidence of good record-keeping procedures.

The challenges of managing ICAs

On average, transfer pricing professionals spend between 10 and 15 percent of their time on intercompany agreements (ICAs), which means they can be overshadowed by other work. Cross-functional communication can make it difficult to determine when a transaction merits a new ICA. The signature collection process can be time-consuming and tedious; it can be difficult to obtain the necessary attention of high-level local controllers. At year-end or audit, many transfer pricing managers spend hectic days attempting to complete and obtain signatures for missing ICAs.

According to a recent Thomson Reuters survey, approximately 50 percent of respondents said they had no central repository for the ICAs across their enterprise, which makes compiling a list of ICAs for the Master File and copies of ICAs for the Local File exceptionally challenging.

Thomson Reuters Intercompany Agreements software:

- Improves efficiency and cuts compliance costs
- Allows for expedited searching of a specific agreement
- Makes it easy to draft a new agreement based on approved/past language and retained data such as correct signers and addresses
- Speeds up signature collection — collect signatures electronically and consistently through an easy-to-understand process
- Readily compares terms of similar agreements based on function
- Proactively notifies you of items that need attention, such as an upcoming renewal, likely termination, unusual terms, contracts missing signatures, and transactions missing a contract — simplifying your ICA workflow

Streamline contract drafting and management

Intercompany Agreements software from Thomson Reuters helps you automate and streamline drafting, execution and management of your ICAs. Intelligent technologies flag your transactions that may require a contract, a searchable centralised repository improves contract management and retrieval, and e-signatures accelerate completion.

Intercompany Agreements makes it easy for you to:



Increase efficiency and avoid errors — You can import your existing material agreements into the Intercompany Agreements application and generate templated agreements that you can customise for any transaction in any jurisdiction. With the Intercompany Agreements application, there's no need to start contracts from scratch.

Standardised agreement templates help ensure that defined terms are clear and consistent across your enterprise, contracts reflect the appropriate allocation of risk and warranty language, and standard terms are included, while still making it easy for you to tailor the contract to the type of transaction and rules of the local jurisdiction.

Dropdown selections and other built-in logic speed the drafting process and help you avoid repetitive data entry.



Get signatures faster — Without automation, collecting signatures from local controllers can be challenging. E-signature functionality speeds and simplifies the process for timely contract completion.



Improve contract management enterprise wide — With Intercompany Agreements, your contracts are truly under control. Signed copies of all agreements are stored in a central, searchable repository so you can retrieve any agreement instantly. You can also more quickly compile a complete list of agreements for the Master File and copies of relevant agreements for the Local File. Absent a centralised catalog of agreements, there is a risk that the listing of ICAs in the Master File could be incomplete.



Avoid gaps in transaction coverage — Intelligent technology alerts you to all transactions across your enterprise that might be subject to an ICA. You can initiate new contracts quickly and have them ready for signature in a few clicks. Flags and alerts tell you when contracts are about to expire, so you avoid any gaps in coverage.

To learn more, visit tax.thomsonreuters.co.uk/onesource/intercompany-agreements

