



TaxNewsFlash

Transfer Pricing

No. 2016-112
September 23, 2016

United States: Guidance for IRS agents, applying arm's length standard

The IRS Large Business and International (LB&I) division today publicly released two “practice units”—part of a series of IRS examiner “job aides” and training materials intended to describe for IRS agents leading practices for specific international and transfer pricing issues and transactions.

The subjects of the newly released practice units are:

- Comparison of the arm's length standard with other valuation approaches—outbound
- Comparison of the arm's length standard with other valuation approaches— inbound

The practice units (release date of 23 September 2016) are available on the IRS practice unit [webpage](#).

KPMG observation

The LB&I division uses the practice units to identify areas of strategic importance to the IRS, provide insight as to how IRS examiners will approach various transactions, and generally provide an understanding of the context in which an IRS examiner will approach a particular issue or transaction. Thus, taxpayers (and their tax advisers) facing an IRS examination or concerned with issue(s) presented by the practice units will want to review the relevant practice units, so as to have a better understanding of the issues that may arise either prior to or during an examination. For instance, the IRS practice units typically provide information that can help taxpayers:

- Plan for appropriate documentation during return preparation
- Effectively approach certain elections or certain transactions
- Respond appropriately to IRS correspondence

For taxpayers selected for a pending IRS examination, the practice units can provide information that may assist with preparation for the examination. For taxpayers actually under examination, the practice units may provide information that can assist taxpayers respond to IRS requests.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-Transfer Pricing, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)