

THE POWER OF BEING UNDERSTOOD

IS A COST SHARING ARRANGEMENT RIGHT FOR YOUR ORGANIZATION?

Are a significant percentage of your sales coming from overseas?

Are you acquiring a foreign company or restructuring your current foreign operations?

Do you have significant research and development or marketing activities taking place abroad?

A cost sharing arrangement (CSA) is an arrangement under which related companies of a multinational group share the costs and risks of developing intangible property in proportion to the benefits received.

If your organization has a significant amount of foreign sales or conducts substantial marketing and research and development activities outside the United States, a CSA may be right for you.

A CSA may also be associated with intangible property (IP) migration planning or other company restructuring events. Depending on the case, participants in a CSA may be required to buy-in or compensate other CSA participants for pre-existing intangibles transferred as part of a transaction (e.g., make a platform contribution transaction (PCT) payment for technology or marketing intangibles).

The regulatory environment

US. transfer pricing regulations on CSAs provide technical definitions, methodologies and provide clarity on documentation and accounting requirements.

Documentation and compliance rules for CSAs are extensive. Treasury regulations allow taxpayers to use several methods to determine the arm's length PCT payment. However,

taxpayers should expect additional IRS scrutiny of buy-ins under their CSAs and should review their transfer pricing approach for consistency with the regulations.

Weighing the pros and cons

There are a variety of factors at play in determining whether a CSA is right for your organization.

Pros may include:

- Taxpayer profile has an ideal fact pattern (i.e., significant functions and substance offshore)
- Powerful tax planning tool that potentially can result in:
 - Repatriation of cash
 - Tax deferral
 - Reduction of the effective tax rate

Cons may include:

- Limited tax benefits in all but ideal fact pattern
- Risks:
 - Compliance failures associated with proper annual reporting or CSA maintenance
 - Failure of an IP development plan
- Costly to implement, maintain and unwind

Pursuing a CSA

The path to obtaining a CSA can be complex, and having skilled advisors who understand your business and your goals is mission-critical.

Our transfer pricing team can help you with a CSA:

- Consulting, including CSA feasibility analyses, buy-in valuations and methodologies
- Documentation
- Implementation

About RSM

RSM US LLP is the leading provider of audit, tax and consulting services focused on the middle market, with more than 8,000 people in 80 offices nationwide. It is a licensed CPA firm and the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 37,000 people in over 110 countries. RSM uses its deep understanding of the needs and aspirations of clients to help them succeed.

+1 800 274 3978

www.rsmus.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed. RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM® and the RSM logo are registered trademarks of RSM International Association. *The power of being understood®* is a registered trademark of RSM US LLP.