

THE POWER OF BEING UNDERSTOOD

COST ALLOCATION STUDY: ACCURATELY APPORTION AND RECHARGE YOUR HEADQUARTERS EXPENSES

Do you currently charge headquarters expenses amongst your domestic and international subsidiaries?

How are you managing and documenting the headquarters expense allocation processes?

Have you assessed the tax opportunities and risks associated with appropriate centralized overhead recharges?

Dividing the costs of centralized operational overhead related to back-office staff, software licenses and other directly and indirectly allocable costs amongst your domestic and international subsidiaries can be challenging. Yet, having a full understanding of how to allocate and recharge these expenses appropriately has important repercussions for your tax positions in the U.S. and abroad, as well as your bottom line.

Cost allocation studies give companies the transparency to allocate and apportion expenses that should be charged out to domestic and international subsidiaries. The benefits include clarity of exposure, tax-efficient repatriation, tax rate planning opportunities and mitigated risk.

RSM's transfer pricing team can help you make sense of this process and achieve its benefits.

The benefits of a cost allocation study

- Ensures proper charge-outs to domestic and international subsidiaries and enhances quantification of the revenue stream impacted by these costs
- Assesses exposure for deferred domestic and international expenses

- Provides opportunities for tax-efficient repatriation
- Provides opportunities for effective tax rate planning at the state, federal and global levels
- Increases the ability to pursue foreign tax credits—understanding how expenses are allocated or apportioned to foreign-source income is important for matters related to foreign tax credits
- Contributes to risk management—cost allocation studies provide clarity
- Alleviates administrative burdens and serves as a reporting and planning tool

The RSM process

RSM's transfer pricing team works with you to fully understand your organizational structure and your internal processes. Our process for your study includes:

- Interviewing key personnel
- Understanding your tax and non-tax objectives
- Reviewing and understanding your reporting tools, systems and processes
- Determining the nature of your headquarters services provided
- Determining your allocable versus non-allocable functions and directly versus indirectly allocable functions
- Determining services eligible for recharge at cost versus services requiring a profit markup
- Identifying appropriate allocation keys
- Creating appropriate cost allocation methodology processes and tools

Global coverage, one point of contact

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The RSM client experience

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